

FEDERAL BUREAU OF INVESTIGATION
FOI/PA
DELETED PAGE INFORMATION SHEET
FOI/PA# 1256792-0

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UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF OHIO
WESTERN DIVISION

DRAFT

UNITED STATES OF AMERICA :
Plaintiff : Criminal No.
vs. :
[redacted] :
Defendant. :

I N F O R M A T I O N
18 U.S.C. § 2
18 U.S.C. § 371
18 U.S.C. § 2314

The United States Attorney charges:

COUNT 1
(Conspiracy)

At all material times:

1. World Wide Lottery Program, aka American Indian Lottery Program ("Lottery Program") was a fraudulent program designed to raise money from investors based upon a 900 number lottery, sponsored by an American Indian tribe, promoted through false representations.

2. Pleasure Time, Inc. ("Pleasure Time") was a Florida corporation engaged primarily in the phone sex business. Telephone Information Systems aka TIS ("TIS") was a fictitious name used in conjunction with the Lottery Program.

3. The defendant [redacted] was a 30% owner of Pleasure Time and the Lottery Program. [redacted] was also a principal manager of the Lottery Program.

4. From in or about July, 1994 and continuing through in or about February, 1995, in the Southern District of Ohio and elsewhere, [redacted] did knowingly and wilfully combine, conspire,

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confederate and agree with other persons to commit an offense against the United States, that is, the interstate transportation of money taken by fraud in violation of 18 U.S.C. § 2314 and § 2, by knowingly causing more than \$5,000 to be transported in interstate commerce, knowing that said money had been taken by fraud.

5. It was an object of the conspiracy that [redacted] and his co-conspirators would enrich themselves by obtaining money from Lottery Program investors by the false representation and/or omission of material facts about the Lottery Program, its investment backing, the status of efforts to start the Lottery Program and the likelihood of getting a return on investment through TIS if the Lottery Program didn't work.

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6. It was part of the conspiracy that [redacted] and his co-conspirators distributed Lottery Program promotional material to prospective investors and promoted the Lottery Program through phone-in recorded messages and national conference calls.

7. It was part of the conspiracy that [redacted] and his co-conspirators falsely represented to investors and potential investors that:

a. TIS was an international company that provided 800 and 900 telephone information services;

b. TIS, in conjunction with a Japanese company and Native American Indians, would operate the Lottery Program;

c. the Japanese company had pre-sold 50,000 positions for the lottery Program.

8. It was part of the conspiracy that [redacted] and his co-conspirators represented to prospective investors without any reasonable basis in fact that:

a. an investor's estimated minimum earnings could be \$60 per week but much larger if the investor invested now;

b. it was expected that the early Lottery Program pots would reach \$300 million and continue to grow as the Lottery Program got around;

c. the companies involved had made every effort to insure that the Lottery Program would go forward as planned;

d. the only thing that might prevent the Lottery Program from going forward was a remote possibility of government intervention; and

e. if the Lottery Program did not go forward, the investors would still participate in the earnings from TIS phone services.

9. It was part of the conspiracy that [redacted] and his co-conspirators, through material false representations, caused thousands of investors from throughout the United States to invest and attempt to invest approximately \$2.46 million in the Lottery Program.

10. It was part of the conspiracy that [redacted] and his co-conspirators caused bank accounts to be opened in the Southern District of Ohio and elsewhere to deposit and divert money received from Lottery Program investors.

11. It was further part of the conspiracy that [redacted] and

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his co-conspirators diverted monies invested by the Lottery Program investors in order to enrich themselves.

Overt Acts

12. Beginning in or about September, 1994, [redacted] and his co-conspirators created and mailed or FAXed Lottery Program promotional packages to potential investors.

13. Beginning in or about September, 1994, [redacted] and his co-conspirators set up and participated in national conference calls to promote the Lottery Program and induce potential investors to invest in said Program.

14. On or about November 1, 1994, a co-conspirator opened bank account #41-1033-5467 at PNC Bank, Lebanon, Ohio branch, in the Southern District of Ohio.

15. On or about January 4, 1995, a co-conspirator opened bank account #4-9032364-9 at Star Bank, Covington, Kentucky.

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16. On or about January 3, 1995, [redacted] caused bank account #701-8540-9 at American National Bank, Vincennes, Indiana, to be opened under the name Pleasure Time, Inc. dba TIS Completion Escrow Account ("TIS Completion Account")

17. From on or about December 30, 1994, through on or about January 19, 1995 [redacted] caused \$343,337.50 of Lottery Program investor monies to be transferred from the PNC Bank, in the Southern District of Ohio, and Star Bank to bank accounts in Indiana which monies [redacted] then knew had been taken by fraud.

In violation of 18 U.S.C. § 371.

COUNT 2
(Interstate Transportation of Money Taken by Fraud)

18. Paragraphs 1 through 17 of Count 1 of this Information are incorporated by reference and realleged as set forth in full herein.

19. On or about December 21, 1994, the defendant [redacted]
[redacted] knowingly and wilfully caused to be transported in interstate commerce \$25,837.50 by wire transfer from the PNC Bank in the Southern District of Ohio to the First Indiana Bank in Indianapolis, Indiana knowing said money to have been taken by fraud;

In violation of 18 U.S.C. § 2314 and § 2.

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COUNT 3
(Interstate Transportation of Money Taken by Fraud)

20. Paragraphs 1 through 17 of Count 1 of this Information are incorporated by reference and realleged as though set forth in full herein.

21. On or about December 30, 1994, the defendant [redacted]
[redacted] knowingly and wilfully caused to be transported in interstate commerce \$97,500 by wire transfer from the PNC Bank in the Southern District of Ohio to Union Federal Savings in Indiana knowing said money to have been taken by fraud;

In violation of 18 U.S.C. § 2314 and § 2.

EDMUND A. SARGUS, JR.
United States Attorney

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF OHIO
WESTERN DIVISION

DRAFT

UNITED STATES OF AMERICA

: Criminal No.

Plaintiff

vs.

PLEA AGREEMENT

[REDACTED]
Defendant.

:

Pursuant to Rule 11(e) of the Federal Rules of Criminal Procedure, the United States, by its undersigned counsel, and the defendant [REDACTED] by his undersigned counsel, have engaged in plea discussions and have agreed as follows:

1. [REDACTED] will waive Indictment and plead guilty to a

three count Information charging him with conspiracy in violation of 18 U.S.C. § 371 and the interstate transportation of money obtained by fraud in violation of 18 U.S.C. § 2314 and § 2.

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2. The maximum statutory penalty is 25 years imprisonment, 9 years supervised release, restitution and a fine of the greater of twice the gross pecuniary gain or twice the gross pecuniary loss as set forth in Title 18, United States Code, § 3571(d).

3. The Information to which [REDACTED] will plead guilty is appended as Attachment A. The United States' Statement of Facts is appended as Attachment B.

4. [REDACTED] agrees to cooperate fully with the United States' investigation of allegations of wrongdoing described in

the Information and Statement of Facts appended hereto. Such cooperation shall include, among other things, truthful testimony in grand juries, at trials and/or state and federal regulatory agencies such as, and to specifically include, the Securities and Exchange Commission. Such cooperation shall include the voluntary production of all information, including production of any and all books, papers, documents and bank account information in his custody, possession and control. Such cooperation shall also include assisting the United States in the recovery and return to victims of any monies and assets, either domestic or foreign, which have been acquired, either directly or indirectly, through the conspiracy set forth in the Information. [redacted]
[redacted] further agrees to provide to the United States complete and accurate financial information which shall include all property, real or personal, all bank accounts, brokerage accounts, and safe deposit boxes, etc., in which he or his nominee has any interest or control.

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5. [redacted] understands that his failure to provide said cooperation will be a breach of this Plea Agreement and will empower the United States to set aside this Plea Agreement and to pursue all possible federal violations against him. [redacted] also understands that this Plea Agreement will not prevent or preclude the United States from presenting charges of perjury against him in the event that, while under oath in a grand jury, trial or other proceeding, he knowingly gives any testimony which is materially false or inconsistent with other statements made by

him.

6. The United States agrees not to prosecute BENNETT for other possible non-tax federal criminal violations regarding the allegations of wrongdoing described in the Information and Statement of Facts appended hereto which [redacted] has fully and truthfully disclosed to the United States. This Plea Agreement, however, does not prohibit agencies or departments of the United States from pursuing any and all available administrative and/or civil remedies against [redacted] in connection with the allegations of wrongdoing described in the Information and Statement of Facts.

7. With regard to sentencing and the application of the Sentencing Guidelines ("S.G."), [redacted] and the United States agree as follows:

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a. The matter of sentencing is reserved solely to the District Court. Prior to or at the time of sentencing [redacted] is required to pay to the U.S. Department of Justice a special assessment in the amount of \$150 as required in Title 18, United States Code, Section 3013.

b. Pursuant to S.G. § 6B1.4, the appended Statement of Facts sets forth the relevant facts and circumstances of the actual offense conduct and offender characteristics.

c. [redacted] base offense level is 6. [S.G. § 2F1.1(a)]. His offense level is increased 12 levels because the value of the loss and intended loss exceeded \$1.5 million and was less than \$2.5 million. [S.G. § 2F1.1(b)]. His offense level is

increased 2 levels because the offense involved more than minimal planning. [S.G. § 2F1.1(b)(2)]. His offense level is increased 3 levels because he was a manager or supervisor of criminal activity which was extensive. [S.G. § 3B1.1(b)] His offense level is decreased by 3 levels for acceptance of responsibility and plea to the Information. [S.G. § 3E1.1].

d. [] understands that his Criminal History Category will be determined by the United States Probation Department and the Court after the presentence investigation.

e. [] understands that the Court is not bound by the Sentencing Guideline calculations set forth in subparagraphs c. and d. herein. [S.G. § 6B1.4(d)]. After the pre-sentence investigation and review, the Court may determine that a different guideline range is applicable or that a departure from said guideline range is appropriate. In that event, [] understands that he shall not have a right to withdraw his guilty plea. Both parties understand that, under 18 U.S.C. § 3742, they have the right to appeal any resulting sentence that was imposed in violation of law, through an incorrect application of the Sentencing Guidelines or outside the range of the applicable guideline.

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f. Pursuant to S.G. § 1B1.8, the United States agrees that any self-incriminating information provided by [] pursuant to his agreement to cooperate, as set forth in paragraph 4 herein, will not be used against him in determining his applicable guideline range for sentencing, or as a basis for

upward departure from the guideline range.

g. Prior to the time of sentencing, the United States will make known to the District Court, through the United States Probation Department, the full extent and nature of the offense charged in the appended Information and the full extent and nature of [redacted] cooperation.

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h. [redacted] understands that the United States, in its sole discretion, may file a motion requesting a downward departure if [redacted] provides substantial assistance in the investigation or prosecution of another person who has committed an offense. [S.G. § 5K1.1]. The determination as to whether or not [redacted] has provided substantial, complete and truthful cooperation will be determined solely by the United States Attorney for the Middle District of Tennessee who will give due deference and consideration to the recommendations made by the United States Attorney for the Southern District of Ohio. Based upon a determination that [redacted] has provided substantial assistance to the United States, the United States will move for a downward departure of not less than 2 nor more than 4 offense levels in accordance with U.S.S.G. § 5K1.1. The United States will base its recommendation upon the criteria set forth in paragraph (a) (1) through (5) of U.S.S.G. § 5K1.1.

i. Finally, [redacted] understands that the amount of the criminal fine, if any, and restitution will be determined by the court and that the United States will move for an order of restitution.

8. [REDACTED] understands that the United States will fully respond to whatever requests for information the United States Probation Department and the Court may make concerning his activities, including activities not described in the appended Information and Statement of Facts.

9. [REDACTED] is pleading guilty because he is guilty of the crime set forth in the appended Information.

10. [REDACTED] and the United States Attorney agree that [REDACTED] may enter his plea of guilty and be sentenced in the Middle District of Tennessee pursuant to Rule 20, Federal Rules of Criminal Procedure.

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11. This writing contains the entire Plea Agreement between [REDACTED] and the United States with respect to this plea of guilty. No additional promises, representations or inducements other than those referenced in this Plea Agreement have been made to [REDACTED] or to his attorney with regard to this Plea, and none will be made or entered into unless in writing and signed by all parties.

Dated this _____ day of September, 1995.

EDMUND A. SARGUS, JR.
United States Attorney

[Redacted]
Defendant

[Redacted]
Assistant U.S. Attorney
Southern District of Ohio
220 U.S. Potter Stewart C.H.
100 East Fifth St.
Cincinnati, Ohio 45202

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[Redacted] Esq.
Counsel for [Redacted]

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF OHIO
WESTERN DIVISION

DRAFT

UNITED STATES OF AMERICA

Plaintiff,
vs.

Defendant

: Criminal No.

: STATEMENT OF FACTS

Pursuant to Rule 11, Federal Rules of Criminal Procedure, and the Sentencing Guidelines, the United States Attorney sets forth the following statement of facts of the actual offense conduct:

At all times material to the offense conduct charged in the Information:

1. In July, 1994, the defendant [REDACTED] [REDACTED] and two other persons were partners in a phone sex and sports betting line business in Florida called Pleasure Time, Inc. ("Pleasure Time"). The business had few customers and was not profitable. [REDACTED] and his partners wanted to raise money for their personal use and to promote and market Pleasure Time. To raise money, they agreed to set up a multi-level marketing scheme involving investment in a world wide 900 number lottery operated by an American Indian tribe ("Lottery Program"). To conceal from prospective investors a connection between the phone sex business and the 900 number lottery, [REDACTED] and his partners created a fictitious "doing business as" name for Pleasure Time.

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This fictitious name was Telephone Information Systems, Inc. ("TIS"). 2. [redacted] and his partners then combined with

two multi-level marketers from Lebanon, Ohio to set up a marketing scheme

through which prospective investors would be solicited, through false representations, to invest in the 900 number lottery. This marketing scheme was called Group Dynamics Downline ("GDD").

3. [redacted] and his co-conspirators created promotional materials and set up national conference calls and recorded messages. They also created an urgency for the prospective investors by limiting the time to invest and number of investors and by structuring the marketing scheme to reward early investors and investors who recruited other investors. Prospective investors were solicited to invest \$129 (later \$189) which would entitle them to share in the Lottery Program profits estimated to range from a minimum of \$62 a week to as much as \$7,500 a week per investor.

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4. To induce prospective investors to invest \$129 (later \$189) in the Lottery Program, [redacted] and his co-conspirators made a number of material false representations, including the following:

a. [redacted] and his co-conspirators falsely represented that the Lottery Program would be operated by Telephone Information Systems ("TIS"), an international company that provides 800 and 900 telephone information services, in conjunction with a Japanese company and Native American Indians.

However, as [redacted] and his co-conspirators knew, TIS was not an international company and was only a dba for Pleasure Time, that no Native American Indian tribe had agreed to operate the lottery program and there was no Japanese company.

b. [redacted] and his co-conspirators falsely represented that the Japanese company had pre-sold 50,000 positions in the lottery program falsely implying that over \$6 million had already been raised to fund the Lottery Program. However, as [redacted] and his co-conspirators knew, no positions had been pre-sold and \$6 million had not been raised to fund the Lottery Program.

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c. [redacted] and his co-conspirators falsely represented that it was expected that early Lottery Program pots would reach \$300 million, that the first lottery was expected to take place in March, 1995, and that the only thing that might prevent the Lottery Program from going forward would be the remote possibility of government intervention. However, as [redacted] and his co-conspirators knew, there was no reasonable basis in fact to expect that the Lottery Program could start as early as March, 1995 or that early pots could reach \$300 million. There was no agreement with an American Indian tribe to operate the lottery, there was no state or federal approval for the lottery, no contract with a phone company to install and operate the necessary phone lines, no computer system to handle the lottery numbers, no bank accounts and accounting system for lottery ticket proceeds and the pay out of lottery winnings and lottery profits due investors, no employees or office space to manage the

lottery program and there was no plan in place to advertise the lottery.

5. Beginning in or about September, 1994, [REDACTED] and his co-conspirators created and mailed or FAXed Lottery Program promotional packages to potential investors and set up and participated in national conference calls to promote the Lottery Program and induce potential investors to invest in said Program.

6. [REDACTED] and his co-conspirators opened bank accounts in the Southern District of Ohio, Kentucky, Indiana and Florida to receive and divert investor funds. [REDACTED] caused more than \$300,000 of said funds to be transferred from the Cincinnati, Ohio area bank accounts to bank accounts in Indiana under [REDACTED] control.

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7. From September, 1994 through January, 1995 [REDACTED] and his co-conspirators took in approximately \$2 million in fraudulently obtained investor funds and approximately \$460,000 in unprocessed and uncashed investors' checks. Almost all of the \$2 million was divided among [REDACTED] and his co-conspirators. Other than monies spent to solicit funds from investors and to respond to investigations of the Lottery Program by the U.S. Securities and Exchange Commission ("SEC") [REDACTED] and his co-conspirators spent a minimal amount on the Lottery Program.

8. As part of the conspiracy, [REDACTED] on or about December 21, 1994, caused \$25,837.50 to be wire transferred from PNC Bank in the Southern District of Ohio to the First Indiana Bank in Indianapolis which money [REDACTED] then knew had been taken by

fraud.

9. As part of the conspiracy, [redacted] on or about December 30, 1994, caused \$97,500 to be wire transferred from PNC Bank in the Southern District of Ohio to Union Federal Savings in Indiana which money [redacted] then knew had been taken by fraud.

10. [redacted] was a supervisor and manager of the lottery scheme which involved five or more participants and which was extensive. The scheme, and [redacted] role in the scheme, involved more than minimal planning and more than one victim.

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11. [redacted] has accepted responsibility for his involvement in this conspiracy. [redacted] has also assisted the United States by timely providing information to the United States concerning his involvement in this conspiracy and by timely notifying the United States of his intention to enter a plea of guilty.

EDMUND A. SARGUS, JR.
United States Attorney

[redacted]
Assistant U.S. Attorney
220 U.S. Potter Stewart C.H.
100 East Fifth St.
Cincinnati, Ohio 45202
[redacted]

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FEDERAL BUREAU OF INVESTIGATION

Date of transcription 10/23/95

The Middletown Resident Agency of the Federal Bureau of Investigation received via US mail the partial response of [redacted]

[redacted] to a Federal Grand Jury subpoena issued by the United States District Court, District of Southern Ohio, Cincinnati, Ohio, directing the production of [redacted]
[redacted]

b3

Investigation on 10/23/95 at Middletown, Ohio

File # 196B-CI-64415

by SA [redacted] reh Date dictated 10/23/95

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303K5 H02.302

This document contains neither recommendations nor conclusions of the FBI. It is the property of the FBI and is loaned to your agency; it and its contents are not to be distributed outside your agency.

FEDERAL BUREAU OF INVESTIGATION

Precedence: ROUTINE

Date: 10/27/1995

To: SALT LAKE CITY
TAMPAAttn: COUER D'ALENE RA
Attn: ORLANDO RAFrom: CINCINNATI
MIDDLETOWN RA
Contact: SA [redacted]b6
b7C

Approved By: [redacted]

Drafted By: [redacted] reh

Case ID #: 196B-CI-64415 (Pending)

Title: [redacted] aka [redacted]

PAUL M. LARSON;
[redacted] dba

1559-62

TELEPHONE INFORMATION SYSTEMS, INC.;
GROUP DYNAMICS DOWNLINE,
1109 Navaho Drive,
Lebanon, Ohio;
FBW;LAW
3Synopsis: Receiving offices are requested to interview [redacted]

[redacted] regarding their knowledge of TELEPHONE INFORMATION SYSTEMS' (TIS) AMERICAN INDIAN LOTTERY PROGRAM (AILP) which raised approximately \$3 million between September 1994 and January 1995 to establish a nationwide 900 telephone number lottery upon an American Indian reservation.

Details: GROUP DOWNLINE DYNAMICS (GDD), operated by [redacted] PAUL LARSON, marketed shares in TIS' AILP through an Ohio boiler room operation. Through mid-January 1995, GDD enrolled over 20,000 members raising over \$3 million to help establish the AILP, a nationwide 900 number telephone lottery. Most of the cash was forwarded to Florida banks.In April 1994, a Florida corporation, PLEASURE TIME, INCORPORATED (PTI), was established with principals [redacted]
[redacted] aka [redacted]
and [redacted] aka [redacted] all of Florida
and [redacted] and [redacted] PTI,
established to operate a 900 telephone sex line, attempted with

SEARCHED INDEXED
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OCT 3 0 1995

FBI - CINCINNATI

196B-CI-64415-134

FEDERAL BUREAU OF INVESTIGATION

To: SALT LAKE CITY From: CINCINNATI
Re: 196B-CI-64415, 10/27/1995

little success to capitalize itself through multi-level marketing. [redacted] was an active participant in PTI from its inception until some point in the late Fall 1994.

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In Fall 1994, PTI, renamed TIS to erase the phone sex stigma, successfully began marketing the AILP's precursor the WORLD WIDE LOTTERY PROGRAM. [redacted] and [redacted]

[redacted] an attorney, took some preliminary steps to establish TIS' bona fides. They contacted telecommunications, computer hardware and software companies. They also visited several American Indian reservations, including the KOOTENAI TRIBE. They met [redacted] who was retained as an expert on Indian gaming laws.

In late 1994 or early 1995, [redacted] joined [redacted] and [redacted] for one or two visits to the MALISEET TRIBE of the HOULTON BAND, Houlton, Maine, where a "contract" was finalized.

To: SALT LAKE CITY From: CINCINNATI
Re: 196B-CI-64415, 10/27/1995

LEAD(s):

Set Lead 1:

SALT LAKE CITY

AT [redacted]

/Interview [redacted]

[redacted] telephone
[redacted], regarding (1) the nature of his business relationship with TIS, especially with [redacted] (2) the services he rendered to TIS and the compensation he received and (3) specifically discuss the successful MALISEET "contract" negotiations and his subsequent efforts to obtain a State Tribal Compact with Maine for the AILP.

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Set Lead 2:

TAMPA

AT [redacted]

Interview [redacted]

dob: [redacted]

[redacted] residing at [redacted]

telephone [redacted]

[redacted], regarding (1) his business relationship with PTI/TIS and the AILP; (2) the role played by [redacted] and the other principals, especially [redacted]
[redacted] (3) whether [redacted] received any money from the GDD boiler room and (4) his knowledge of the current whereabouts of [redacted] or LARSON.

♦♦

FBI

TRANSMIT VIA:

- Teletype
 Facsimile
 AIRTEL

PRECEDENCE:

- Immediate
 Priority
 Routine

CLASSIFICATION:

- TOP SECRET
 SECRET
 CONFIDENTIAL
 UNCLAS E F T O
 UNCLAS

Date 11/16/95

TO : SAC, CINCINNATI (196B-CI-64415)
 FROM : SAC, PHILADELPHIA (196B-CI-64415) (RUC)
 SUBJECT :

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et al;
 TELEPHONE INFORMATION SYSTEM INCORPORATED,
 GROUP DYNAMICS DOWNLINE,
 1109 NAVAHO DRIVE,
 LEBANON, OHIO;
 FRAUD BY WIRE;
 (OO: CINCINNATI)

Re Cincinnati airtel to Philadelphia dated
 10/17/95.

Enclosed for Cincinnati is one copy of a Federal
 Grand Jury Subpoena dated 10/12/95, served on 11/2/95 to

(X)
RCA

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On 11/2/95, Federal Grand Jury Subpoena from the
 Southern District of Ohio, was served on

Since no further investigation remains in the
 Philadelphia Division, this matter is being considered RUC'd.

② - Cincinnati (196B-CI-64415) (Enc. 1)
 1 - Philadelphia (196B-CI-64415)

NO SUBPOENA ENCLOSED 11/21/95

PGP:maf
 (3)

196B-CI-64415-135

Approved: _____

Transmitted

(Number) (Time)

AUTOMATED INDICIES *[Signature]*

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| SERIALIZED | FILED | b7C |
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| | | NOV 22 1995 |
| | | FBI - CINCINNATI |

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FEDERAL BUREAU OF INVESTIGATION

Date of transcription

11/10/95

[redacted]
[redacted] was served a
Federal Grand Jury Subpoena from the Southern District of Ohio
dated October 12, 1995. [redacted]
[redacted]

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196B-CT-64415-136

Investigation on 11/2/95 at Philadelphia, PA

File # 196B-CT-64415 *16P*

by SA SA PGP/maf Date dictated 11/6/95

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- 1 -

FEDERAL BUREAU OF INVESTIGATION

Date of transcription

1-2-96

white male. date of birth [redacted]

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telephone [redacted] was interviewed at the Orlando Resident Agency of the Federal Bureau of Investigation and provided the following information:

[redacted] and sometime around June of 1994, [redacted] contacted [redacted] relative to [redacted] doing [redacted] for a new business that [redacted] was getting into with some friends. [redacted] told [redacted] that it was a phone sex business under the name of PLEASURE TIME INC.

[redacted] agreed to do the work which included [redacted]

[redacted] was to be running the business with [redacted] who lived in [redacted] and [redacted] was to be [redacted] of the company. [redacted] told [redacted] that [redacted]

As a result of [redacted] employment with [redacted] was responsible for [redacted]

[redacted] would go to the PLEASURE TIME office, which was located at 5935 Anno Drive, Orlando, Florida, [redacted]

PLEASURE TIME would call the clients, collect; and would also charge the clients so much per minute. per telephone call. [redacted] was employed by [redacted]

Investigation on 12-13-95 at Maitland, Florida

File # 196B-CI-64415-137

by [redacted]

Date dictated 12-13-95

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| SERIALIZED <u>70</u> | FILED <u>70</u> |
| JAN 8 1996 | |
| FBI - CINCINNATI | |

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196B-CI-64415

Continuation of FD-302 of [redacted]

, On 12-13-95 , Page

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[redacted] never knew [redacted] to use the alias of [redacted]
[redacted] and [redacted]
[redacted]

[redacted] met attorney [redacted] on one occasion,
just prior to Christmas, 1994.

[redacted] never knew [redacted] to use the alias of
[redacted] and believed that [redacted] was presently
[redacted]

After January, 1995, [redacted] heard that [redacted] and his associates were going to be setting up a national lottery; however, [redacted] had no involvement with the lottery business. Sometime around November of 1994, PLEASURE TIME began doing business as TELEPHONE INFORMATION SYSTEMS, INC. (TIS) in order to get away from the stigma of a phone sex business. TIS was to establish a psychic hot line; continue with the phone sex operation; and get involved with the American Indian lottery.

[redacted] had heard that GROUP DYNAMICS DOWNLINE was a small company selling memberships to the phone sex operation by offering discounts on the phone calls. [redacted] was one of the individuals involved with [redacted] PLEASURE TIME INC. ROBERT COOPER & ASSOCIATES, INC. (RCA) was a consulting firm that may have been used by PLEASURE TIME. [redacted] has a canceled check paid to RCA in the amount of \$25,000; however, [redacted] has no knowledge as to any services rendered by RCA to PLEASURE TIME.

[redacted] PLEASURE TIME operation until he was replaced by [redacted] who reported to both [redacted] and [redacted]
[redacted] had heard through [redacted] that [redacted]
[redacted] as a result of a charge unrelated to PLEASURE TIME.

[redacted] never received any money from GROUP DYNAMICS DOWNLINE; and was paid entirely from the PLEASURE TIME INC. account in which [redacted] saw approximately [redacted] being deposited.

[redacted] never heard of PAUL [redacted] LARSON; however, [redacted] had heard [redacted] name in passing, even though [redacted] never met her.

[redacted] opined that everything he had done as a result of his employment with PLEASURE TIME, was one hundred percent

196B-CI-64415

Continuation of FD-302 of [redacted]

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, On 12-13-95, Page 3

[redacted] legitimate. When [redacted] stopped getting paid, he was told by [redacted] that [redacted] and his partners had a number of companies, some of which were legitimate and others weren't; and that [redacted] and his partners had gotten into some trouble with the SEC and the FBI.

(06/01/1995)

FEDERAL BUREAU OF INVESTIGATION

Precedence: ROUTINE

Date: 01/02/1996

To: CINCINNATI ✓

Attn: MIDDLETOWN RA
SA [redacted]

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From: TAMPA

ORA/2

Contact: SA [redacted]

Approved By: [redacted]

Drafted By: [redacted]

Case ID #: 196B-CI-64415 (Pending)

Title: [redacted] AKA; ET AL;
FBW

Synopsis: [redacted] was interviewed at the ORA on 12-13-95.

Administrative: Reference CINCINNATI EC to SALT LAKE CITY, 10-27-95.

Enclosures: Enclosed for CINCINNATI are an original and two copies of FD-302 containing the results of interview with [redacted] and one FD-340 containing interviewing agent's original notes.

Details: [redacted] was interviewed by the FBI at the ORLANDO RESIDENT AGENCY, on 12-13-95.

In view of the fact that no additional investigation remains within the TAMPA Division, this matter is being RUC'd.

♦♦

AUTOMATED INDICIES *[Signature]*

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| JAN 8 1996 | |
| FBI - CINCINNATI | |

196B-CI-64415-138

- 1 -

FEDERAL BUREAU OF INVESTIGATION

Date of transcription 10/23/95

The Middletown Resident Agency of the Federal Bureau of Investigation received via US mail the partial response of [redacted]

[redacted] to a Federal Grand Jury subpoena issued by the United States District Court, District of Southern Ohio, Cincinnati, Ohio, directing the production of [redacted]
[redacted]
[redacted]

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Investigation on 10/23/95 at Middletown, Ohio
File # 196B-CI-64415 -139 *cm*
by SA [redacted] reh Date dictated 10/23/95

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(06/01/1995)

FEDERAL BUREAU OF INVESTIGATION

Precedence: ROUTINE

Date: 02/13/1996

To: Cincinnati

Attn: Middletown RA

From: Salt Lake City

Boise/Coeur d'Alene RA

Contact: [redacted]

Approved By: [redacted]

Drafted By: [redacted] dab

Case ID #: 198B-CI-64415-140

Title: [redacted] aka
[redacted]

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PAUL M. LARSON:

[redacted] dba

TELEPHONE INFORMATION SYSTEMS, INC.;
GROUP DYNAMICS DOWNLINE,
1109 NAVAHO DRIVE,
LEBANON, OHIO
FBW

Synopsis: [redacted] interviewed re
knowledge of TIS.

Administrative: EC, dated 10/27/95.

Details: On 1/4/1996 [redacted] was contacted at his residence
[redacted] telephone number [redacted] has not
worked for [redacted] He has served as a

The Boise RA is a
direct mail office
Please direct all mail to:
FBI
First Interstate Center
877 W. Main Suite 404
Boise, ID 83702

AUTOMATED INDICIES *[Signature]*

196B-CI-64415-140

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| FBI - CINCINNATI | |
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198B-CI-64415-140

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| SEARCHED | INDEXED |
| SERIALIZED | FILED |
| FEB 15 1996 | |
| FBI - SALT LAKE CITY | |

To: Cincinnati From: Salt Lake City
Re: 198B-CI-64415, 02/13/1996

Inasmuch as no further investigation is required by the
Salt Lake City Division this matter is considered RUC'd.

♦♦

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF OHIO
WESTERN DIVISION

UNITED STATES OF AMERICA : Criminal No.
Plaintiff :
vs. : **PLEA AGREEMENT**
: :
[redacted] :
Defendant. :

Pursuant to Rule 11(e) of the Federal Rules of Criminal Procedure, the United States, by its undersigned counsel, and the defendant [redacted] by his undersigned counsel, have engaged in plea discussions and have agreed as follows:

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1. [redacted] will waive Indictment and plead guilty to a three count Information charging him with conspiracy in violation of 18 U.S.C. § 371 and the interstate transportation of money obtained by fraud in violation of 18 U.S.C. § 2314 and § 2.

2. The maximum statutory penalty is 25 years imprisonment, 9 years supervised release, restitution and a fine of the greater of twice the gross pecuniary gain or twice the gross pecuniary loss as set forth in Title 18, United States Code, § 3571(d).

3. The Information to which [redacted] will plead guilty is appended as Attachment A. The United States' Statement of Facts is appended as Attachment B.

4. [redacted] agrees to cooperate fully with the United States' investigation of allegations of wrongdoing described in

the Information and Statement of Facts appended hereto. Such cooperation shall include, among other things, truthful testimony in grand juries, at trials and/or state and federal regulatory agencies such as, and to specifically include, the Securities and Exchange Commission. Such cooperation shall include the voluntary production of all information, including production of any and all books, papers, documents and bank account information in his custody, possession and control. Such cooperation shall also include assisting the United States in the recovery and return to victims of any monies and assets, either domestic or foreign, which have been acquired, either directly or indirectly, through the conspiracy set forth in the Information. [redacted] further agrees to provide to the United States complete and accurate financial information which shall include all property, real or personal, all bank accounts, brokerage accounts, and safe deposit boxes, etc., in which he or his nominee has any interest or control.

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5. [redacted] understands that his failure to provide said cooperation will be a breach of this Plea Agreement and will empower the United States to set aside this Plea Agreement and to pursue all possible federal violations against him. [redacted] also understands that this Plea Agreement will not prevent or preclude the United States from presenting charges of perjury against him in the event that, while under oath in a grand jury, trial or other proceeding, he knowingly gives any testimony which is materially false or inconsistent with other statements made by

him.

6. The United States agrees not to prosecute [REDACTED] for other possible non-tax federal criminal violations regarding the allegations of wrongdoing described in the Information and Statement of Facts appended hereto which [REDACTED] has fully and truthfully disclosed to the United States. This Plea Agreement, however, does not prohibit agencies or departments of the United States from pursuing any and all available administrative and/or civil remedies against [REDACTED] in connection with the allegations of wrongdoing described in the Information and Statement of Facts.

7. With regard to sentencing and the application of the Sentencing Guidelines ("S.G."), [REDACTED] and the United States agree as follows:

a. The matter of sentencing is reserved solely to the District Court. Prior to or at the time of sentencing, [REDACTED] is required to pay to the U.S. Department of Justice a special assessment in the amount of \$150 as required in Title 18, United States Code, Section 3013.

b. Pursuant to S.G. § 6B1.4, the appended Statement of Facts sets forth the relevant facts and circumstances of the actual offense conduct and offender characteristics.

c. [REDACTED] base offense level is 6. [S.G. § 2F1.1(a)]. His offense level is increased 12 levels because the value of the loss and intended loss exceeded \$1.5 million and was less than \$2.5 million. [S.G. § 2F1.1(b)]. His offense level is

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increased 2 levels because the offense involved more than minimal planning. [S.G. § 2F1.1(b)(2)]. His offense level is increased 3 levels because he was a manager or supervisor of criminal activity which was extensive. [S.G. § 3B1.1(b)] His offense level is decreased by 3 levels for acceptance of responsibility and plea to the Information. [S.G. § 3E1.1].

d. [] understands that his Criminal History Category will be determined by the United States Probation Department and the Court after the presentence investigation.

e. [] understands that the Court is not bound by the Sentencing Guideline calculations set forth in subparagraphs c. and d. herein. [S.G. § 6B1.4(d)]. After the pre-sentence investigation and review, the Court may determine that a different guideline range is applicable or that a departure from said guideline range is appropriate. In that event, [] understands that he shall not have a right to withdraw his guilty plea. Both parties understand that, under 18 U.S.C. § 3742, they have the right to appeal any resulting sentence that was imposed in violation of law, through an incorrect application of the Sentencing Guidelines or outside the range of the applicable guideline.

f. Pursuant to S.G. § 1B1.8, Rule 11(e)(6), F.R.C.P., the defendant's Fifth Amendment privilege against self-incrimination and his Sixth Amendment right to the assistance of counsel, the United States agrees that any self-incriminating information provided by [] pursuant to his agreement to

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cooperate, as set forth in ¶ 4 herein, will not be used against him in determining his applicable guideline range for sentencing, or as a basis for upward departure from the guideline range, or for any other purpose at sentencing.

g. Prior to the time of sentencing, the United States will make known to the District Court, through the United States Probation Department, the full extent and nature of the offense charged in the appended Information and the full extent and nature of [redacted] cooperation.

h. [redacted] understands that the United States, in its sole discretion, may file a motion requesting a downward departure if [redacted] provides substantial assistance in the investigation or prosecution of another person who has committed an offense. [S.G. § 5K1.1]. The determination as to whether or not [redacted] has provided substantial, complete and truthful cooperation will be determined solely by the United States Attorney for the Middle District of Tennessee who will give due deference and consideration to the recommendations made by the United States Attorney for the Southern District of Ohio. Based upon a determination that [redacted] has provided substantial assistance to the United States, the United States will move for a downward departure of not less than 2 nor more than 4 offense levels in accordance with U.S.S.G. § 5K1.1. The United States will base its recommendation upon the criteria set forth in paragraph (a) (1) through (5) of U.S.S.G. § 5K1.1.

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i. Finally, [redacted] understands that the amount of the

criminal fine, if any, and restitution will be determined by the court and that the United States will move for an order of restitution.

8. [REDACTED] understands that the United States will fully respond to whatever requests for information the United States Probation Department and the Court may make concerning his activities, including activities not described in the appended Information and Statement of Facts.

9. [REDACTED] is pleading guilty because he is guilty of the crime set forth in the appended Information.

10. [REDACTED] and the United States Attorney agree that [REDACTED] may enter his plea of guilty and be sentenced in the Middle District of Tennessee pursuant to Rule 20, Federal Rules of Criminal Procedure.

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11. This writing contains the entire Plea Agreement between [REDACTED] and the United States with respect to this plea of guilty. No additional promises, representations or inducements other than those referenced in this Plea Agreement have been made to [REDACTED] or to his attorney with regard to this Plea, and none will be made or entered into unless in writing and signed by all parties.

Dated this _____ day of November, 1995.

EDMUND A. SARGUS, JR.
United States Attorney

[REDACTED]
Defendant

[REDACTED]
Assistant U.S. Attorney
Southern District of Ohio
220 U.S. Potter Stewart C.H.
100 East Fifth St.
Cincinnati, Ohio 45202

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[REDACTED]
Counsel for [REDACTED]

[REDACTED] Esq.

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF OHIO
WESTERN DIVISION

UNITED STATES OF AMERICA

: Criminal No.

Plaintiff

: I N F O R M A T I O N

vs.

: 18 U.S.C. § 2

[redacted]

: 18 U.S.C. § 371

Defendant.

: 18 U.S.C. § 2314

- - - - -

The United States Attorney charges:

COUNT 1
(Conspiracy)

At all material times:

1. World Wide Lottery Program, aka American Indian Lottery Program ("Lottery Program") was a fraudulent program designed to raise money from investors based upon a 900 number lottery, sponsored by an American Indian tribe, promoted through false representations.

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2. Pleasure Time, Inc. ("Pleasure Time") was a Florida corporation engaged primarily in the phone sex business. Telephone Information Systems aka TIS ("TIS") was a fictitious name used in conjunction with the Lottery Program.

3. The defendant [redacted] was a 30% owner of Pleasure Time and the Lottery Program. [redacted] was also a principal manager of the Lottery Program.

4. From in or about July, 1994 and continuing through in or about February, 1995, in the Southern District of Ohio and elsewhere [redacted] did knowingly and wilfully combine, conspire,

confederate and agree with other persons to commit an offense against the United States, that is, the interstate transportation of money taken by fraud in violation of 18 U.S.C. § 2314 and § 2, by knowingly causing more than \$5,000 to be transported in interstate commerce, knowing that said money had been taken by fraud.

5. It was an object of the conspiracy that [redacted] and his co-conspirators would enrich themselves by obtaining money from Lottery Program investors by the false representation and/or omission of material facts about the Lottery Program, its investment backing, the status of efforts to start the Lottery Program and the likelihood of getting a return on investment through TIS if the Lottery Program didn't work.

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6. It was part of the conspiracy that [redacted] and his co-conspirators distributed Lottery Program promotional material to prospective investors and promoted the Lottery Program through phone-in recorded messages and national conference calls.

7. It was part of the conspiracy that [redacted] and his co-conspirators falsely represented to investors and potential investors that:

a. TIS was an international company that provided 800 and 900 telephone information services;

b. TIS, in conjunction with a Japanese company and Native American Indians, would operate the Lottery Program;

c. the Japanese company had pre-sold 50,000 positions for the lottery Program.

8. It was part of the conspiracy that [redacted] and his co-conspirators represented to prospective investors without any reasonable basis in fact that:

- a. an investor's estimated minimum earnings could be \$60 per week but much larger if the investor invested now;
- b. it was expected that the early Lottery Program pots would reach \$300 million and continue to grow as the Lottery Program got around;
- c. the companies involved had made every effort to insure that the Lottery Program would go forward as planned;
- d. the only thing that might prevent the Lottery Program from going forward was a remote possibility of government intervention; and
- e. if the Lottery Program did not go forward, the investors would still participate in the earnings from TIS phone services.

9. It was part of the conspiracy that [redacted] and his co-conspirators, through material false representations, caused thousands of investors from throughout the United States to invest and attempt to invest approximately \$2.46 million in the Lottery Program.

10. It was part of the conspiracy that [redacted] and his co-conspirators caused bank accounts to be opened in the Southern District of Ohio and elsewhere to deposit and divert money received from Lottery Program investors.

11. It was further part of the conspiracy that [redacted] and

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his co-conspirators diverted monies invested by the Lottery Program investors in order to enrich themselves.

Overt Acts

12. Beginning in or about September, 1994, [redacted] and his co-conspirators created and mailed or FAXed Lottery Program promotional packages to potential investors.

13. Beginning in or about September, 1994, [redacted] and his co-conspirators set up and participated in national conference calls to promote the Lottery Program and induce potential investors to invest in said Program.

14. On or about November 1, 1994, a co-conspirator opened bank account #41-1033-5467 at PNC Bank, Lebanon, Ohio branch, in the Southern District of Ohio.

15. On or about January 4, 1995, a co-conspirator opened bank account #4-9032364-9 at Star Bank, Covington, Kentucky.

16. On or about January 3, 1995 [redacted] caused bank account #701-8540-9 at American National Bank, Vincennes, Indiana, to be opened under the name Pleasure Time, Inc. dba TIS Completion Escrow Account ("TIS Completion Account")

17. From on or about December 30, 1994, through on or about January 19, 1995, [redacted] caused \$343,337.50 of Lottery Program investor monies to be transferred from the PNC Bank, in the Southern District of Ohio, and Star Bank to bank accounts in Indiana which monies [redacted] then knew had been taken by fraud.

In violation of 18 U.S.C. § 371.

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COUNT 2
(Interstate Transportation of Money Taken by Fraud)

18. Paragraphs 1 through 17 of Count 1 of this Information are incorporated by reference and realleged as set forth in full herein.

19. On or about December 21, 1994, the defendant [redacted] [redacted] knowingly and wilfully caused to be transported in interstate commerce \$25,837.50 by wire transfer from the PNC Bank in the Southern District of Ohio to the First Indiana Bank in Indianapolis, Indiana knowing said money to have been taken by fraud;

In violation of 18 U.S.C. § 2314 and § 2.

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COUNT 3
(Interstate Transportation of Money Taken by Fraud)

20. Paragraphs 1 through 17 of Count 1 of this Information are incorporated by reference and realleged as though set forth in full herein.

21. On or about December 30, 1994, the defendant [redacted] [redacted] knowingly and wilfully caused to be transported in interstate commerce \$97,500 by wire transfer from the PNC Bank in the Southern District of Ohio to Union Federal Savings in Indiana knowing said money to have been taken by fraud;

In violation of 18 U.S.C. § 2314 and § 2.

EDMUND A. SARGUS, JR.
United States Attorney

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF OHIO
WESTERN DIVISION

UNITED STATES OF AMERICA :
Plaintiff, : Criminal No.
vs. :
[redacted] : STATEMENT OF FACTS
Defendant :

Pursuant to Rule 11, Federal Rules of Criminal Procedure,
and the Sentencing Guidelines, the United States Attorney sets
forth the following statement of facts of the actual offense
conduct:

At all times material to the offense conduct charged in the
Information:

1. In July, 1994, the defendant [redacted]
[redacted] and two other persons were partners in a phone sex
and sports betting line business in Florida called Pleasure Time,
Inc. ("Pleasure Time"). The business had few customers and was
not profitable. [redacted] and his partners wanted to raise money
for their personal use and to promote and market Pleasure Time.
To raise money, they agreed to set up a multi-level marketing
scheme involving investment in a world wide 900 number lottery
operated by an American Indian tribe ("Lottery Program"). To
conceal from prospective investors a connection between the phone
sex business and the 900 number lottery, [redacted] and his partners
created a fictitious "doing business as" name for Pleasure Time.

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This fictitious name was Telephone Information Systems, Inc. ("TIS").

2. [REDACTED] and his partners then combined with two multi-level marketers from Lebanon, Ohio to set up a marketing scheme through which prospective investors would be solicited, through false representations, to invest in the 900 number lottery. This marketing scheme was called Group Dynamics Downline ("GDD").

3. [REDACTED] and his co-conspirators created promotional materials and set up national conference calls and recorded messages. They also created an urgency for the prospective investors by limiting the time to invest and number of investors and by structuring the marketing scheme to reward early investors and investors who recruited other investors. Prospective investors were solicited to invest \$129 (later \$189) which would entitle them to share in the Lottery Program profits estimated to range from a minimum of \$62 a week to as much as \$7,500 a week per investor.

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4. To induce prospective investors to invest \$129 (later \$189) in the Lottery Program, [REDACTED] and his co-conspirators made a number of material false representations, including the following:

a. [REDACTED] and his co-conspirators falsely represented that the Lottery Program would be operated by Telephone Information Systems ("TIS"), an international company that provides 800 and 900 telephone information services, in conjunction with a Japanese company and Native American Indians.

However, as [redacted] and his co-conspirators knew, TIS was not an international company and was only a dba for Pleasure Time, that no Native American Indian tribe had contracted in writing to operate the lottery program and there was no Japanese company.

b. [redacted] and his co-conspirators falsely represented that the Japanese company had pre-sold 50,000 positions in the lottery program falsely implying that over \$6 million had already been raised to fund the Lottery Program. However, as [redacted] and his co-conspirators knew, no positions had been pre-sold and \$6 million had not been raised to fund the Lottery Program.

c. [redacted] and his co-conspirators falsely represented that it was expected that early Lottery Program pots would reach \$300 million, that the first lottery was expected to take place in March, 1995, and that the only thing that might prevent the Lottery Program from going forward would be the remote possibility of government intervention. However, as [redacted] and his co-conspirators knew, there was no reasonable basis in fact to expect that the Lottery Program could start as early as March, 1995 or that early pots could reach \$300 million. There was no written contract with an American Indian tribe to operate the lottery, there was no state or federal approval for the lottery, no contract with a phone company to install and operate the necessary phone lines, no computer system to handle the lottery numbers, no bank accounts and accounting system for lottery ticket proceeds and the pay out of lottery winnings and lottery profits due investors, no employees or office space to manage the

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lottery program and there was no plan in place to advertise the lottery.

5. Beginning in or about September, 1994 [REDACTED] and his co-conspirators created and mailed or FAXed Lottery Program promotional packages to potential investors and set up and participated in national conference calls to promote the Lottery Program and induce potential investors to invest in said Program.

6. [REDACTED] and his co-conspirators opened bank accounts in the Southern District of Ohio, Kentucky, Indiana and Florida to receive and divert investor funds. [REDACTED] caused more than \$300,000 of said funds to be transferred from the Cincinnati, Ohio area bank accounts to bank accounts in Indiana under [REDACTED] control.

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7. From September, 1994 through January, 1995, [REDACTED] and his co-conspirators took in approximately \$2 million in fraudulently obtained investor funds and approximately \$460,000 in unprocessed and uncashed investors' checks. Almost all of the \$2 million was divided among [REDACTED] and his co-conspirators. Other than monies spent to solicit funds from investors and to respond to investigations of the Lottery Program by the U.S. Securities and Exchange Commission ("SEC"), [REDACTED] and his co-conspirators spent a minimal amount on the Lottery Program.

8. As part of the conspiracy, [REDACTED] on or about December 21, 1994, caused \$25,837.50 to be wire transferred from PNC Bank in the Southern District of Ohio to the First Indiana Bank in Indianapolis which money [REDACTED] then knew had been taken by

fraud.

9. As part of the conspiracy [redacted] on or about December 30, 1994, caused \$97,500 to be wire transferred from PNC Bank in the Southern District of Ohio to Union Federal Savings in Indiana which money [redacted] then knew had been taken by fraud.

10. [redacted] was a supervisor and manager of the lottery scheme which involved five or more participants and which was extensive. The scheme, and [redacted] role in the scheme, involved more than minimal planning and more than one victim.

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11. [redacted] has accepted responsibility for his involvement in this conspiracy. [redacted] has also assisted the United States by timely providing information to the United States concerning his involvement in this conspiracy and by timely notifying the United States of his intention to enter a plea of guilty.

EDMUND A. SARGUS, JR.
United States Attorney

[redacted]
Assistant U.S. Attorney
220 U.S. Potter Stewart C.H.
100 East Fifth St.
Cincinnati, Ohio 45202
[redacted]

FILED
KENNETH J. MURPHY, JR.

In the United States District Court

for the SOUTHERN District of OHIO 95 DEC 12 AM 8:40U.S. DISTRICT COURT
SOUTHERN DISTRICT OF OHIO
WESTERN DIVISION CINCINNATI

United States of America

v.

Criminal No.

CR 1 95 - 124

NUMBER: J.

Consent to Transfer of Case

for Plea and Sentence

(Under Rule 20)

I, [REDACTED] defendant, have been informed that an Information (indictment, information, complaint or pending) will be filed against me in the above designated cause. I wish to plead Guilty (guilty or not guilty) to the offense charged, to consent to the disposition of the case in the Middle District of Tennessee in which I am under Indictment (or information, complaint) and to waive trial in the above captioned District.

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Dated: DECEMBER 11 1995 at [REDACTED]

(Witness) [REDACTED]

(Counsel for Defendant) [REDACTED]

EDMUND A. SARGUS, JR.
United States Attorney
By: [REDACTED]
United States Attorney for the

Approved JOHN M. ROBERTS
UNITED STATES ATTORNEY

Assistant BY [REDACTED] Asst.
United States Attorney for the

Southern District of Middle District of
Ohio Tennessee

RECEIVED
FEB 12 1995 AMY At

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF OHIO
WESTERN DIVISION

95 DEC 12 11 8:40

UNITED STATES OF AMERICA

Criminal No.

CR 1 95-124

Plaintiff

I N F O R M A T I O N

vs.

18 U.S.C. § 2

18 U.S.C. § 371

18 U.S.C. § 2314

Defendant.

WEBER, J.

The United States Attorney charges:

COUNT 1
(Conspiracy)

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At all material times:

1. World Wide Lottery Program, aka American Indian Lottery Program ("Lottery Program") was a fraudulent program designed to raise money from investors based upon a 900 number lottery, sponsored by an American Indian tribe, promoted through false representations.

2. Pleasure Time, Inc. ("Pleasure Time") was a Florida corporation engaged primarily in the phone sex business. Telephone Information Systems aka TIS ("TIS") was a fictitious name used in conjunction with the Lottery Program.

3. The defendant [redacted] was a 30% owner of Pleasure Time and the Lottery Program. [redacted] was also a principal manager of the Lottery Program.

4. From in or about July, 1994 and continuing through in or about February, 1995, in the Southern District of Ohio and elsewhere, [redacted] did knowingly and wilfully combine, conspire,

confederate and agree with other persons to commit an offense against the United States, that is, the interstate transportation of money taken by fraud in violation of 18 U.S.C. § 2314 and § 2, by knowingly causing more than \$5,000 to be transported in interstate commerce, knowing that said money had been taken by fraud.

5. It was an object of the conspiracy that [redacted] and his co-conspirators would enrich themselves by obtaining money from Lottery Program investors by the false representation and/or omission of material facts about the Lottery Program, its investment backing, the status of efforts to start the Lottery Program and the likelihood of getting a return on investment through TIS if the Lottery Program didn't work.

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6. It was part of the conspiracy that [redacted] and his co-conspirators distributed Lottery Program promotional material to prospective investors and promoted the Lottery Program through phone-in recorded messages and national conference calls.

7. It was part of the conspiracy that [redacted] and his co-conspirators falsely represented to investors and potential investors that:

a. TIS was an international company that provided 800 and 900 telephone information services;

b. TIS, in conjunction with a Japanese company and Native American Indians, would operate the Lottery Program;

c. the Japanese company had pre-sold 50,000 positions for the lottery Program.

8. It was part of the conspiracy that [redacted] and his co-conspirators represented to prospective investors without any reasonable basis in fact that:

a. an investor's estimated minimum earnings could be \$60 per week but much larger if the investor invested now;

b. it was expected that the early Lottery Program pots would reach \$300 million and continue to grow as the Lottery Program got around;

c. the companies involved had made every effort to insure that the Lottery Program would go forward as planned;

d. the only thing that might prevent the Lottery Program from going forward was a remote possibility of government intervention; and

e. if the Lottery Program did not go forward, the investors would still participate in the earnings from TIS phone services.

9. It was part of the conspiracy that [redacted] and his co-conspirators, through material false representations, caused thousands of investors from throughout the United States to invest and attempt to invest approximately \$2.46 million in the Lottery Program.

10. It was part of the conspiracy that [redacted] and his co-conspirators caused bank accounts to be opened in the Southern District of Ohio and elsewhere to deposit and divert money received from Lottery Program investors.

11. It was further part of the conspiracy that [redacted] and

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his co-conspirators diverted monies invested by the Lottery Program investors in order to enrich themselves.

Overt Acts

12. Beginning in or about September, 1994, [REDACTED] and his co-conspirators created and mailed or FAXed Lottery Program promotional packages to potential investors.

13. Beginning in or about September, 1994 [REDACTED] and his co-conspirators set up and participated in national conference calls to promote the Lottery Program and induce potential investors to invest in said Program.

14. On or about November 1, 1994, a co-conspirator opened bank account #41-1033-5467 at PNC Bank, Lebanon, Ohio branch, in the Southern District of Ohio.

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15. On or about January 4, 1995, a co-conspirator opened bank account #4-9032364-9 at Star Bank, Covington, Kentucky.

16. On or about January 3, 1995, [REDACTED] caused bank account #701-8540-9 at American National Bank, Vincennes, Indiana, to be opened under the name Pleasure Time, Inc. dba TIS Completion Escrow Account ("TIS Completion Account")

17. From on or about December 30, 1994, through on or about January 19, 1995, [REDACTED] caused \$343,337.50 of Lottery Program investor monies to be transferred from the PNC Bank, in the Southern District of Ohio, and Star Bank to bank accounts in Indiana which monies [REDACTED] then knew had been taken by fraud.

In violation of 18 U.S.C. § 371.

COUNT 2
(Interstate Transportation of Money Taken by Fraud)

18. Paragraphs 1 through 17 of Count 1 of this Information are incorporated by reference and realleged as set forth in full herein.

19. On or about December 21, 1994, the defendant [redacted]
[redacted] knowingly and wilfully caused to be transported in interstate commerce \$25,837.50 by wire transfer from the PNC Bank in the Southern District of Ohio to the First Indiana Bank in Indianapolis, Indiana knowing said money to have been taken by fraud;

In violation of 18 U.S.C. § 2314 and § 2.

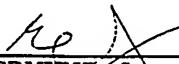
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COUNT 3
(Interstate Transportation of Money Taken by Fraud)

20. Paragraphs 1 through 17 of Count 1 of this Information are incorporated by reference and realleged as though set forth in full herein.

21. On or about December 30, 1994, the defendant [redacted]
[redacted] knowingly and wilfully caused to be transported in interstate commerce \$97,500 by wire transfer from the PNC Bank in the Southern District of Ohio to Union Federal Savings in Indiana knowing said money to have been taken by fraud;

In violation of 18 U.S.C. § 2314 and § 2.

Re 
EDMUND A. SARGUS, JR.
United States Attorney

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF OHIO
WESTERN DIVISION

AM KENNETH J. MURPHY

95 DEC 12 PM 8:41

UNITED STATES OF AMERICA

Plaintiff

Criminal No.

CR 1 95 - 124

vs.

PLEA AGREEMENT

Defendant.

WEBER, J.

Pursuant to Rule 11(e) of the Federal Rules of Criminal Procedure, the United States, by its undersigned counsel, and the defendant [redacted], by his undersigned counsel, have engaged in plea discussions and have agreed as follows:

1. [redacted] will waive Indictment and plead guilty to a three count Information charging him with conspiracy in violation of 18 U.S.C. § 371 and the interstate transportation of money obtained by fraud in violation of 18 U.S.C. § 2314 and § 2.

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2. The maximum statutory penalty is 25 years imprisonment, 9 years supervised release, restitution and a fine of the greater of twice the gross pecuniary gain or twice the gross pecuniary loss as set forth in Title 18, United States Code, § 3571(d).

3. The Information to which [redacted] will plead guilty is appended as Attachment A. The United States' Statement of Facts is appended as Attachment B.

4. [redacted] agrees to cooperate fully with the United States' investigation of allegations of wrongdoing described in

the Information and Statement of Facts appended hereto. Such cooperation shall include, among other things, truthful testimony in grand juries, at trials and/or state and federal regulatory agencies such as, and to specifically include, the Securities and Exchange Commission. Such cooperation shall include the voluntary production of all information, including production of any and all books, papers, documents and bank account information in his custody, possession and control. Such cooperation shall also include assisting the United States in the recovery and return to victims of any monies and assets, either domestic or foreign, which have been acquired, either directly or indirectly, through the conspiracy set forth in the Information. [redacted]
[redacted] further agrees to provide to the United States complete and accurate financial information which shall include all property, real or personal, all bank accounts, brokerage accounts, and safe deposit boxes, etc., in which he or his nominee has any interest b6 b7C or control.

5. [redacted] understands that his failure to provide said cooperation will be a breach of this Plea Agreement and will empower the United States to set aside this Plea Agreement and to pursue all possible federal violations against him. [redacted] also understands that this Plea Agreement will not prevent or preclude the United States from presenting charges of perjury against him in the event that, while under oath in a grand jury, trial or other proceeding, he knowingly gives any testimony which is materially false or inconsistent with other statements made by

him.

6. The United States agrees not to prosecute BENNETT for other possible non-tax federal criminal violations regarding the allegations of wrongdoing described in the Information and Statement of Facts appended hereto which [redacted] has fully and truthfully disclosed to the United States. This Plea Agreement, however, does not prohibit agencies or departments of the United States from pursuing any and all available administrative and/or civil remedies against [redacted] in connection with the allegations of wrongdoing described in the Information and Statement of Facts.

7. With regard to sentencing and the application of the Sentencing Guidelines ("S.G."), [redacted] and the United States agree as follows:

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a. The matter of sentencing is reserved solely to the District Court. Prior to or at the time of sentencing [redacted] is required to pay to the U.S. Department of Justice a special assessment in the amount of \$150 as required in Title 18, United States Code, Section 3013.

b. Pursuant to S.G. § 6B1.4, the appended Statement of Facts sets forth the relevant facts and circumstances of the actual offense conduct and offender characteristics.

c. [redacted] base offense level is 6. [S.G. § 2F1.1(a)]. His offense level is increased 12 levels because the value of the loss and intended loss exceeded \$1.5 million and was less than \$2.5 million. [S.G. § 2F1.1(b)]. His offense level is

increased 2 levels because the offense involved more than minimal planning. [S.G. § 2F1.1(b)(2)]. His offense level is increased 3 levels because he was a manager or supervisor of criminal activity which was extensive. [S.G. § 3B1.1(b)] His offense level is decreased by 3 levels for acceptance of responsibility and plea to the Information. [S.G. § 3E1.1].

d. [] understands that his Criminal History Category will be determined by the United States Probation Department and the Court after the presentence investigation.

e. [] understands that the Court is not bound by the Sentencing Guideline calculations set forth in subparagraphs c. and d. herein. [S.G. § 6B1.4(d)]. After the pre-sentence investigation and review, the Court may determine that a different guideline range is applicable or that a departure from said guideline range is appropriate. In that event, [] understands that he shall not have a right to withdraw his guilty plea. Both parties understand that, under 18 U.S.C. § 3742, they have the right to appeal any resulting sentence that was imposed in violation of law, through an incorrect application of the Sentencing Guidelines or outside the range of the applicable guideline.

f. Pursuant to S.G. § 1B1.8, Rule 11(e)(6), F.R.C.P., the defendant's Fifth Amendment privilege against self-incrimination and his Sixth Amendment right to the assistance of counsel, the United States agrees that any self-incriminating information provided by [] pursuant to his agreement to

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cooperate, as set forth in ¶ 4 herein, will not be used against him in determining his applicable guideline range for sentencing, or as a basis for upward departure from the guideline range, or for any other purpose at sentencing.

g. Prior to the time of sentencing, the United States will make known to the District Court, through the United States Probation Department, the full extent and nature of the offense charged in the appended Information and the full extent and nature of [redacted] cooperation.

h. [redacted] understands that the United States, in its sole discretion, may file a motion requesting a downward departure if [redacted] provides substantial assistance in the investigation or prosecution of another person who has committed an offense. [S.G. § 5K1.1]. The determination as to whether or not [redacted] has provided substantial, complete and truthful cooperation will be determined solely by the United States Attorney for the Middle District of Tennessee who will give due deference and consideration to the recommendations made by the United States Attorney for the Southern District of Ohio. Based upon a determination that [redacted] has provided substantial assistance to the United States, the United States will move for a downward departure of not less than 2 nor more than 4 offense levels in accordance with U.S.S.G. § 5K1.1. The United States will base its recommendation upon the criteria set forth in paragraph (a) (1) through (5) of U.S.S.G. § 5K1.1.

i. Finally, [redacted] understands that the amount of the

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criminal fine, if any, and restitution will be determined by the court and that the United States will move for an order of restitution.

8. [REDACTED] understands that the United States will fully respond to whatever requests for information the United States Probation Department and the Court may make concerning his activities, including activities not described in the appended Information and Statement of Facts.

9. [REDACTED] is pleading guilty because he is guilty of the crime set forth in the appended Information.

10. [REDACTED] and the United States Attorney agree that [REDACTED] may enter his plea of guilty and be sentenced in the Middle District of Tennessee pursuant to Rule 20, Federal Rules of Criminal Procedure.

11. This writing contains the entire Plea Agreement between [REDACTED] and the United States with respect to this plea of guilty. No additional promises, representations or inducements other than those referenced in this Plea Agreement have been made to [REDACTED] or to his attorney with regard to this Plea, and none will be made or entered into unless in writing and signed by all parties.

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Dated this 11th day of ^{ERS}December, 1995.

EDMUND A. SARGUS, JR.
United States Attorney

[Redacted]
Defendant

[Redacted]
Assistant U.S. Attorney
Southern District of Ohio
220 U.S. Potter Stewart C.H.
100 East Fifth St.
Cincinnati, Ohio 45202

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UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF OHIO
WESTERN DIVISION

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UNITED STATES OF AMERICA

Criminal No.

CR 1 95-124

Plaintiff,

STATEMENT OF FACTS

vs.

Defendant

WEBER, J.

Pursuant to Rule 11, Federal Rules of Criminal Procedure, and the Sentencing Guidelines, the United States Attorney sets forth the following statement of facts of the actual offense conduct:

At all times material to the offense conduct charged in the Information:

1. In July, 1994, the defendant [redacted]

[redacted] and two other persons were partners in a phone sex and sports betting line business in Florida called Pleasure Time, Inc. ("Pleasure Time"). The business had few customers and was not profitable. [redacted] and his partners wanted to raise money for their personal use and to promote and market Pleasure Time. To raise money, they agreed to set up a multi-level marketing scheme involving investment in a world wide 900 number lottery operated by an American Indian tribe ("Lottery Program"). To conceal from prospective investors a connection between the phone sex business and the 900 number lottery, [redacted] and his partners created a fictitious "doing business as" name for Pleasure Time.

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This fictitious name was Telephone Information Systems, Inc. ("TIS").

2. [redacted] and his partners then combined with two multi-level marketers from Lebanon, Ohio to set up a marketing scheme through which prospective investors would be solicited, through false representations, to invest in the 900 number lottery. This marketing scheme was called Group Dynamics Downline ("GDD").

3. [redacted] and his co-conspirators created promotional materials and set up national conference calls and recorded messages. They also created an urgency for the prospective investors by limiting the time to invest and number of investors and by structuring the marketing scheme to reward early investors and investors who recruited other investors. Prospective investors were solicited to invest \$129 (later \$189) which would entitle them to share in the Lottery Program profits estimated to range from a minimum of \$62 a week to as much as \$7,500 a week per investor.

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4. To induce prospective investors to invest \$129 (later \$189) in the Lottery Program, [redacted] and his co-conspirators made a number of material false representations, including the following:

a. [redacted] and his co-conspirators falsely represented that the Lottery Program would be operated by Telephone Information Systems ("TIS"), an international company that provides 800 and 900 telephone information services, in conjunction with a Japanese company and Native American Indians.

However, as [redacted] and his co-conspirators knew, TIS was not an international company and was only a dba for Pleasure Time, that no Native American Indian tribe had contracted in writing to operate the lottery program and there was no Japanese company.

b. [redacted] and his co-conspirators falsely represented that the Japanese company had pre-sold 50,000 positions in the lottery program falsely implying that over \$6 million had already been raised to fund the Lottery Program. However, as [redacted] and his co-conspirators knew, no positions had been pre-sold and \$6 million had not been raised to fund the Lottery Program.

c. [redacted] and his co-conspirators falsely represented that it was expected that early Lottery Program pots could reach \$300 million, that the first lottery could take place as early as March, 1995, and that the only thing that might prevent the Lottery Program from going forward would be the remote possibility of government intervention. However, as [redacted] and his co-conspirators knew, there was no reasonable basis in fact to expect that the Lottery Program could start as early as March, 1995 or that early pots could reach \$300 million. There was no written contract with an American Indian tribe to operate the lottery, there was no state or federal approval for the lottery, no contract with a phone company to install and operate the necessary phone lines, no computer system to handle the lottery numbers, no bank accounts and accounting system for lottery ticket proceeds and the pay out of lottery winnings and lottery profits due investors, no employees or office space to manage the

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lottery program and there was no plan in place to advertise the lottery.

5. Beginning in or about September, 1994, [REDACTED] and his co-conspirators created and mailed or FAXed Lottery Program promotional packages to potential investors and set up and participated in national conference calls to promote the Lottery Program and induce potential investors to invest in said Program.

6. [REDACTED] and his co-conspirators opened bank accounts in the Southern District of Ohio, Kentucky, Indiana and Florida to receive and divert investor funds. [REDACTED] caused more than \$300,000 of said funds to be transferred from the Cincinnati, Ohio area bank accounts to bank accounts in Indiana under [REDACTED] control.

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7. From September, 1994 through January, 1995, [REDACTED] and his co-conspirators took in approximately \$2 million in fraudulently obtained investor funds and approximately \$460,000 in unprocessed and uncashed investors' checks. Almost all of the \$2 million was divided among [REDACTED] and his co-conspirators. Other than monies spent to solicit funds from investors and to respond to investigations of the Lottery Program by the U.S. Securities and Exchange Commission ("SEC"), [REDACTED] and his co-conspirators spent a minimal amount on the Lottery Program.

8. As part of the conspiracy, [REDACTED] on or about December 21, 1994, caused \$25,837.50 to be wire transferred from PNC Bank in the Southern District of Ohio to the First Indiana Bank in Indianapolis which money [REDACTED] then knew had been taken by

fraud.

9. As part of the conspiracy, [redacted] on or about December 30, 1994, caused \$97,500 to be wire transferred from PNC Bank in the Southern District of Ohio to Union Federal Savings in Indiana which money [redacted] then knew had been taken by fraud.

10. [redacted] was a supervisor and manager of the lottery scheme which involved five or more participants and which was extensive. The scheme, and [redacted] role in the scheme, involved more than minimal planning and more than one victim.

11. [redacted] has accepted responsibility for his involvement in this conspiracy. [redacted] has also assisted the United States by timely providing information to the United States concerning his involvement in this conspiracy and by timely notifying the United States of his intention to enter a plea of guilty.

EDMUND A. SARGUS, JR.
United States Attorney

[redacted]
Assistant U.S. Attorney
220 U.S. Potter Stewart C.H.
100 East Fifth St.
Cincinnati, Ohio 45202

RECEIVED

JAN 4 10 21 AM '96

UNITED STATES
ATTORNEY
CINCINNATI, OH

January 2, 1996

Clerk,
U.S. District Court
Room 800, U.S. Courthouse
801 Broadway
Nashville, Tennessee 37203

Re: U.S.A. v. [redacted] et al.
U.S. District Court, For The Middle District of Tennessee
Nashville Division; Cause No: 3-94-00134

Dear Clerk:

Enclosed in duplicate is a *Motion To Continue Sentencing Hearing* for filing with the court. An Order is also enclosed for the court's consideration.

Thank you for your assistance.

Very truly yours,

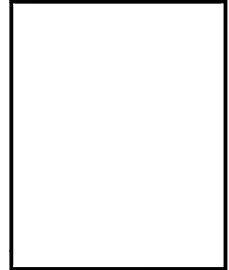
[redacted]
Enclosures
cc: [redacted]

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December 29, 1995

VIA FACSIMILE

[Redacted]
Assistant U.S. Attorney
Federal Building
800 U.S. Courthouse
Nashville, Tennessee 37203

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Re: U.S.A. v. [Redacted]
Cause No. 3-94 00134

Dear [Redacted]

Enclosed is a Motion to Continue Sentencing Hearing that I have mailed today. I would appreciate your co-operation and assistance. Although I did not put it in the motion, my son, who is a graduate student at Duke University, will be visiting me over the holidays, arriving New Year's day and leaving in the middle of the day on Monday, January 8th, the date presently scheduled for [Redacted] sentencing. I certainly do not want have to leave Indianapolis on Sunday, January 7th and to travel to Nashville for his sentencing.

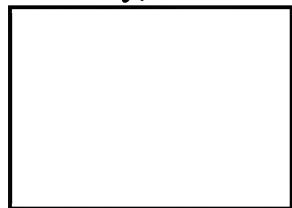
I spoke with [Redacted] and he was going to call you concerning a continuance, which he indicated to me would be helpful to him. However, I have not heard back from [Redacted] and I therefore do not know if the two of you have spoken. I will be in conference all day today but would appreciate a phone call from you as

[Redacted]
December 29, 1995

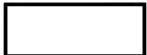
Page 2

to whether you are in agreement with this continuance. If you are, I would greatly appreciate it if you would advise the court.

Sincerely,



Attorney At Law



cc:



UNITED STATES DISTRICT COURT
FOR THE MIDDLE DISTRICT OF TENNESSEE
NASHVILLE DIVISION

UNITED STATES OF AMERICA,)
v.)
Plaintiff,)
Defendants.)

) Cause No: 3-94 00134

MOTION TO CONTINUE SENTENCING HEARING

Defendant [redacted] by counsel [redacted] hereby moves the Court to continue the sentencing hearing presently scheduled in the cause herein and states the following grounds in support thereof:

1. The Plea Agreement filed by the parties in the cause herein requires, *inter alia*, [redacted] to cooperate with the government in the Southern District of Ohio where there is an investigation relating to the American Indian Lottery [redacted] has met on two occasions since his guilty plea in this cause with authorities in Cincinnati and another meeting is expected after the first of the year. In addition, the undersigned counsel has been advised by [redacted] the Assistant United States Attorney responsible for the investigation in Cincinnati, that he intends to call [redacted] as a

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witness before the Grand Jury in February. Because of the additional interviews that will be needed with Government in Cincinnati and the need for [redacted] to testify in February, a continuance of [redacted] sentencing until March, 1996 is hereby requested.

WHEREFORE, Defendant [redacted] by counsel, moves the Court to grant a continuance of the sentencing hearing until March, 1996.

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Respectfully submitted,

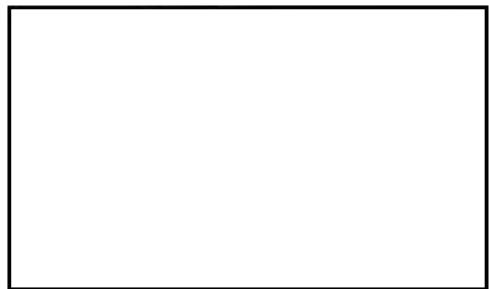
[redacted]
Attorney for Defendant [redacted]

CERTIFICATE OF SERVICE

I hereby certify that a copy of the above-and foregoing has been delivered by U.S. Mail, First Class, postage prepaid addressed to [REDACTED] Assistant United States Attorney, Federal Building, 800 U.S. Courthouse, Nashville, Tennessee 37203; Mr. [REDACTED] Assistant United States Attorney, U.S. Attorney's Office, 220 Potter Stewart U.S. Courthouse, 100 East 5th Street, Cincinnati, Ohio 45202, this 29th day of December, 1995.



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UNITED STATES DISTRICT COURT
FOR THE MIDDLE DISTRICT OF TENNESSEE
NASHVILLE DIVISION

UNITED STATES OF AMERICA,)
)
Plaintiff,)
v.)
)
)
Defendants.)

Cause No: 3-94 00134

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ORDER GRANTING MOTION TO CONTINUE SENTENCING HEARING

On motion by defendant [redacted] by counsel, requesting that the Court continue the sentencing hearing presently scheduled for January 8, until March, 1996, which said motion is in the words and figures following, to-wit:

[H. I.]

And the Court being duly advised in the premises FINDS that said motion should be and hereby is GRANTED.

IT IS, THEREFORE, CONSIDERED AND ORDERED that the sentencing hearing presently scheduled in the cause herein for January 8, 1996 is rescheduled for _____, the _____ day of _____, 1996, at _____ o'clock

M.

IT IS FURTHER ORDERED that the Clerk of this Court shall serve copies of this order upon all counsel of record.

DATED: _____

THOMAS A. WISEMAN, JR., JUDGE,
U.S. DISTRICT COURT
FOR THE MIDDLE DISTRICT OF
TENNESSEE
NASHVILLE, DIVISION

DISTRIBUTION TO:

[redacted]
United States Attorney
Middle District of Tennessee
110 9th Avenue South, Suite A-961
Nashville, Tennessee 37203

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[redacted]

[redacted]

[redacted]
U.S. Probation Officer
A-725 U.S. Courthouse
Nashville, Tennessee 37203

[redacted]

[redacted]
Assistant U.S. Attorney
U.S. Attorney's Office
220 Potter Stewart U.S. Courthouse
100 East 5th Street
Cincinnati, Ohio 45202
[redacted]

- 1 -

FEDERAL BUREAU OF INVESTIGATION

Date of transcription 12/15/95b6
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[redacted] was interviewed at the United States Attorney's Office Cincinnati, Ohio, in the presence of his attorney, [redacted]. Also present throughout the interview were Special Agent [redacted] Internal Revenue Service - Cincinnati and Special Counsel [redacted] Securities and Exchange Commission (SEC) - Chicago. Assistant United States Attorney (AUSA) [redacted] also participated at times in the interview. AUSA [redacted] explained that the interview would be conducted pursuant to a proffer and plea agreement. AUSA [redacted] explained the interview related specifically to the Ohio fund raising activities of GROUP DYNAMICS DOWNLINE (GDD) for a multilevel marketing (MLM) program TELEPHONE INFORMATION SYSTEMS' (TIS) WORLD WIDE LOTTERY PROGRAM (WWLP) and AMERICAN INDIAN LOTTERY PROGRAM (AILP).

[redacted] advised [redacted]

[redacted] In April 1994, PLEASURE TIME, INCORPORATED (PTI) was incorporated in Florida to operate a telephone sex line; they hoped to expand later to operate a sports betting and psychic information line. The PTI partners were [redacted]

[redacted] They unsuccessfully attempted to capitalize PTI by selling distributorships. Each distributor would receive advertising cards containing a Personal Identification Number (PIN) unique to the distributor. The distributor would circulate them to prospective customers. When someone called the sex line, the PTI employee first requested the caller to provide the PIN to identify their distributor and allow his account to be credited.

In mid-July 1994, a three way telephone conference call was held between [redacted]. The idea of marketing the WWLP was conceived as a means to raise money for the three partners and capitalize the PTI sex line. In mid-July, not one of the partners had any real expectation at this time that the WWLP would ever materialize. [redacted] suggested selling shares to create a nationwide telephone lottery. [redacted] suggested advertising the American Indian sponsorship.

Q

Investigation on 12/11/95at Cincinnati, OhioFile # 196B-CI-64415by SA [redacted] :reh

:reh

196D

Date dictated

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Continuation of FD-302 of [redacted], On 12/11/95, Page 2 b6 b7C

The corporate name, PTI, was dropped in favor of TIS, which PTI registered with Florida as a fictitious name. PTI had an unsavory connotation. The partners felt that the WWLP could be more successfully marketed as TIS.

Around August 1, 1994, [redacted] engaged [redacted] a Louisville attorney [redacted] to conduct legal research into the legality of a nationwide Indian lottery. She was hired at the suggestion of [redacted] an Indiana attorney. [redacted] and [redacted] had several conversations prior her issuing her favorable report in early September, 1994.

[redacted] was recruited in late August, 1994 by [redacted]
[redacted] was known to [redacted] by reputation from other MIM fund-raising activates. She was telephonically introduced to [redacted] by [redacted]

For several weeks prior to her recruitment, TIS sold a few memberships at the introductory price of \$75 each; a few shares were even sold at two shares for each one purchased. In September, 1994 a few were sold at a higher price of \$100 each. By mid-September, 1994, GDD was successfully marketing shares at \$129 each. As the TIS membership deadline neared, the price raised to \$189 each.

By October, 1994, [redacted] was disseminating information via a facsimile machine. These facsimiles advertised TIS as an international company marketing 800-900 telephone informational services. Aside from the unsuccessful PTI sex line, [redacted] claims this is totally false. He believes that [redacted] developed the idea of the "vertical downline" and payout schedule incorporated in the WWLP literature. The original WWLP facsimiles mentioned that the lottery had the backing of Japanese investors; the later AILP facsimiles which first appeared by late November, 1994 drop all mention of the Japanese investors.

The Indiana attorney, [redacted] was hired to conclude an agreement between TIS and an American Indian tribe. After [redacted] September, 1994 report, [redacted] traveled to [redacted] reservations in Arizona for one week, in Idaho and in Houlton, Maine, on two occasions. [redacted] received approximately [redacted] in compensation. [redacted] faxed time sheets to [redacted] to justify reimbursement.

196B-CI-64415

Continuation of FD-302 of [redacted]

, on 12/11/95 , Page 3

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TIS engaged [redacted]

[redacted] He traveled to Maine to [redacted]
[redacted] Houlton's state tribal compact. [redacted] State Tribal Compact which was never submitted to Maine before TIS collapsed.

In approximately late December, 1995, TIS paid a retainer fee to [redacted]

[redacted] Nothing was done before the SEC intervened.

[redacted] advised that the telephone technology did not exist to handle five million telephone calls through Houlton, Maine, which were required to generate the payouts advertised in the WWLP facsimiles. No feasibility studies were done to establish the hardware requirements for the project. Initial contacts were made with [redacted] regarding the software requirements of the WWLP project.

At the outset, [redacted] probably did not inform [redacted] that the true objective of GDD's fund raising in Ohio was the financing of PTI's Florida telephone sex lines and not the establishment of nationwide lottery operated from an American Indian reservation by 900 telephone numbers. Later, [redacted] had to have become skeptical of the lottery's premise when [redacted] stopped mentioning the backing of Japanese investors.

In addition to the facsimile on demand, TIS was promoted several times a week during evening nationwide telephone conference calls hosted by [redacted] Numerous TIS investors could participate simultaneously.

[redacted] The purpose of the conference calls was to disseminate "good news" to the WWLP investors/salesman. In mid-December 1994, the MALISEET Tribe in Maine signed a non-binding agreement to negotiate a contract with TIS to sponsor the AILP. The investors were encouraged to believe that the AILP was going to start soon. The investors were never told that this was not a binding contract or that the successful conclusion of a State Tribal Compact with the State of Maine was problematical.

On approximately ten occasions before mid-December, 1994, [redacted] participated in TIS' evening nationwide conference calls as [redacted] used this alias because he was afraid one of the conference line participants might recognize his true name and participation in a prior MLM. Prior

196B-CI-64415

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Continuation of FD-302 of [redacted], On 12/11/95, Page 4

to mid-December, 1994, [redacted] did not know his true identity. Subsequently, [redacted] had maybe four telephonic contacts with her. In one mid-December call, a worried [redacted] mentioned GDD had received several cease and desist orders from various states.

In July 1994, none of the partners had any interest in viability of the WWLP lottery; its success as a fund raiser was paramount. [redacted] interest in the WWLP never changed. By mid November, 1994, [redacted] actually thought that the WWLP was probably legal and viable. By mid-November, 1994, [redacted] told his partners that the WWLP would never be operational. By mid-January, 1995, [redacted] was reconsidering his negative appraisal of the WWLP. When the SEC started their investigation, [redacted] insisted the partners take their money and run.

It was not until late January or early February, 1995, that [redacted] met [redacted] PAUL LARSON, at an Orlando, Florida, hotel. (By this time, GDD's fund raising activities in Ohio had ceased.) Also present at the two day conference was [redacted] and [redacted] who had called the meeting to discuss [redacted]

[redacted] He intended to convert them into cash. By this time, [redacted] was fully aware of all of the TIS misrepresentations. She was told by either [redacted] claimed to have known all along that this was a misrepresentation. [redacted] never insisted that TIS make a full disclosure to their investors or that TIS return the investors' investments. In fact, [redacted] requested that she be permitted to participate in any future MLMs started by the TIS partners.

After the conference, [redacted] LARSON returned to Lebanon, Ohio, for a short time before returning to Florida to flee.

[redacted] TIS in [redacted] contemporaneously with the ending of GDD's Ohio fund raising. Its purpose was to continue raising money for [redacted] Unknown to [redacted] at this time, they were also the groundwork for another MLM called the [redacted]

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196B-CI-64415

Continuation of FD-302 of [redacted], On 12/11/95, Page 5

[redacted] maintained telephonic contact with [redacted] for approximately one and a half months after their Orlando conference. [redacted] had been arrested during this period.) [redacted] presumed [redacted] called from a pay phone using a pre-paid calling card; [redacted] does not know if all of the calls originated in the United States.

At approximately 8:52 pm on March 13, 1995, [redacted] called [redacted] from telephone number [redacted]. They discussed the SEC affidavit and complaint against TIS which both acknowledged receiving that day. [redacted] received a complete set of documents. Since [redacted] had received only twenty-one out of over one hundred pages, [redacted] read some missing portions to him. [redacted] said he would join TIS' conference call tonight to blame the failure of the AILP on federal government interference. They also discussed whether [redacted] had turned over TIS' unprocessed applications to the government. In one of these calls, [redacted] insisted upon speaking with [redacted]
[redacted]

On March 14, 1995, [redacted] called [redacted] for less than a minute. [redacted]
[redacted]

FEDERAL BUREAU OF INVESTIGATION

Precedence: ROUTINE**Date:** 05/01/1996**To:** SAC, CINCINNATI**From:** SA [REDACTED] (MRA)
MIDDLETOWN RAb6
b7c**Approved By:** [REDACTED]**Drafted By:** [REDACTED] :reh**Case ID #:** 196B-CI-64415 (Pending)**Title:** [REDACTED] aka

PAUL LARSON;

[REDACTED] dba

TELEPHONE INFORMATION SYSTEMS, INC.;
GROUP DYNAMICS DOWNLINE,
1109 Navaho Drive,
Lebanon, Ohio;
FBW**Synopsis:** According to the U.S. Army Criminal Investigation
Detachment (CID), [REDACTED]con
(1)

Details: On 4/19/96, Special Agent (SA) [REDACTED] U.S Army CID, Ft. Campbell, Kentucky, telephone [REDACTED] advised that an inquiry made to the CID in Heidelberg, Germany, disclosed that [REDACTED] date of birth [REDACTED] SSAN [REDACTED] was currently stationed at [REDACTED] telephone [REDACTED]

SA [REDACTED] was following up on earlier request by the Bureau as to [REDACTED] status. At that time, [REDACTED] advised that U.S. Army microfiche records dating to November 1995 showed that [REDACTED]

The Dallas CID's telephone numbers are [REDACTED] and [REDACTED]

196B-CI-64415-150

| | |
|------------------------------|-------------------------|
| SEARCHED | INDEXED |
| SERIALIZED <i>[initials]</i> | FILED <i>[initials]</i> |
| MAY 16 1996 | |
| FBI - CINCINNATI | |

[Handwritten signature]

137REH04.EC

(06/01/1995)

FEDERAL BUREAU OF INVESTIGATION

To: SAC, CINCINNATI From: SA [redacted] (MRA)
Re: 196B-CI-64415, 05/01/1996

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b7C

[redacted]
[redacted] was one of
the three principals who established TELEPHONE INFORMATION
SYSTEMS (TIS) in early 1994. Sometime after Thanksgiving 1994,
[redacted]

AUSA [redacted] requested that [redacted]
[redacted] be confirmed with the objective of issuing him a federal
grand jury subpoena.

♦♦

FEDERAL BUREAU OF INVESTIGATION

Precedence: ROUTINE**Date:** 06/27/1996**To:** DALLAS**From:** ✓CINCINNATI

MIDDLETOWN RA

Contact: SA [redacted]

b6
b7c**Approved By:** [redacted]**Drafted By:** [redacted] reh**File Number(s):** 196B-CI-64415 (Pending)**Title:** [redacted] aka [redacted]

PAUL LARSON;

[redacted] dba

TELEPHONE INFORMATION SYSTEMS, INC.;
GROUP DYNAMICS DOWNLINE,
1109 Navaho Drive,
Lebanon, Ohio;
FBWX
PST**Synopsis:** Dallas is requested to serve a Federal Grand Jury subpoena commanding the appearance of [redacted]

b3

[redacted] on August 7, 1996.
[redacted] specified in the subpoena at his appearance.**Enclosures:** Enclosed for Dallas are the original and one copy of a Federal Grand Jury subpoena issued by the U.S. District Court for the Southern District of Ohio, Cincinnati.**Details:** In late 1994, [redacted] PAUL LARSON, dba GROUP DYNAMICS DOWNLINE (GDD) started marketing share in TELEPHONE INFORMATION SYSTEMS' (TIS) AMERICAN INDIAN LOTTERY PROGRAM. TIS characterized themselves as an experienced Florida corporation providing 800 and 900 telephone information services. Actually they were a new struggling company trying to establish an Orlando area sex line called PLEASURE TIME. TIS' principals were [redacted]b6
b7c

and [redacted]

[redacted] were experienced con-men [redacted]

Sgt. Lead

1

196B-CI-64415-151

| | |
|------------------|----------|
| SEARCHED | INDEXED |
| SERIALIZED RD | FILED RD |
| JUL 01 1996 | |
| FBI - CINCINNATI | |

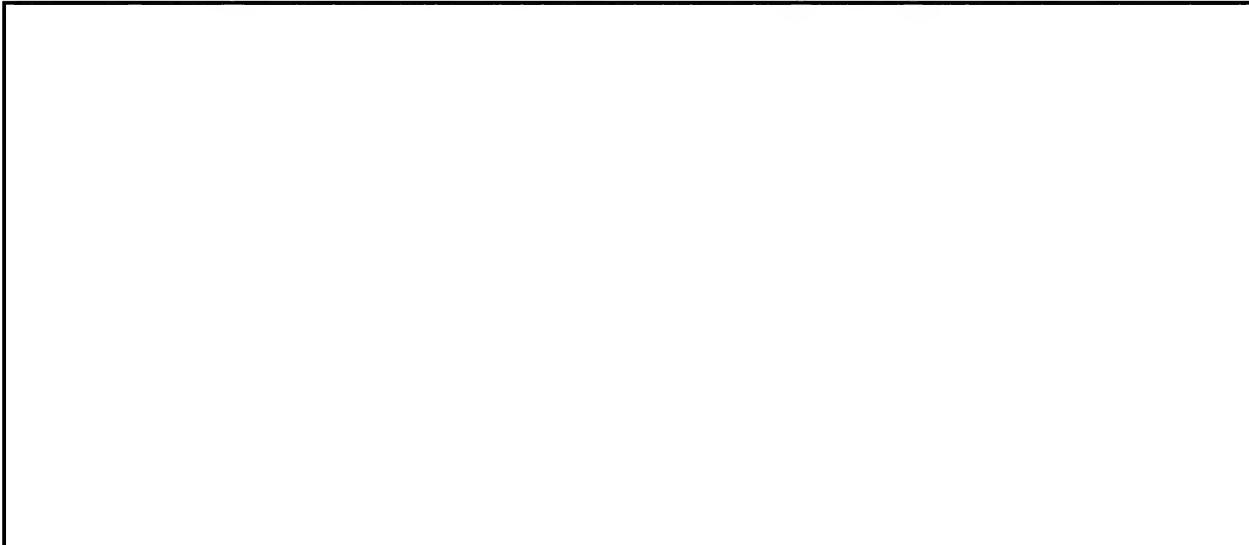
[Signature]

184REHOL.GC

To: DALLAS From: CINCINNATI
Re: 196B-CI-64415, 06/27/1996

The GDD operation closed in January 1995 with approximately \$3 million dollars in TIS memberships being issued. The majority of the cash was sent to the principals in Florida.

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SA [redacted]
telephone [redacted] and [redacted] confirmed that [redacted]

[redacted]
telephone [redacted] advised that [redacted] lives at [redacted]

[redacted] would be happy to provide liaison with Dallas in serving this subpoena.

Descriptive Data:

Reference

Race: W

Sex: M

Name -

Last:

First:

Middle:

DDN:

DOB:

SOC#:

Address -

House #:

Street Name:

Street Suffix:



To: DALLAS From: CINCINNATI
Re: 196B-CI-64415, 06/27/1996

City:
State:
Postal Code:
Phone:

Unlisted

b6
b7C

To: DALLAS From: CINCINNATI
Re: 196B-CI-64415, 06/27/1996

LEAD(s):

Set Lead 1:

DALLAS

AT [redacted]

Deliver to [redacted]

[redacted] a Federal Grand Jury
subpoena commanding his appearance with [redacted]
the U.S. DISTRICT COURT, Southern District of Ohio, Cincinnati,
on August 7, 1996.

b3

♦♦

United States District Court

SOUTHERN

DISTRICT OF

OHIO

TO:

| |
|--|
| |
|--|

SUBPOENA TO TESTIFY BEFORE GRAND JURY

b3

SUBPOENA FOR:

PERSON DOCUMENT(S) or OBJECT(S)

YOU ARE HEREBY COMMANDED to appear and testify before the Grand Jury of the United States District Court at the place, date, and time specified below.

| PLACE | ROOM |
|---|----------------------------|
| Potter Stewart U.S. Courthouse 100 East Fifth Street Cincinnati, Ohio 45202 | 241 |
| | DATE AND TIME |
| | March 1, 1995 9:30 A.M. |

YOU ARE ALSO COMMANDED to bring with you the following document(s) or object(s):

| |
|--|
| |
|--|

(X)
RE#

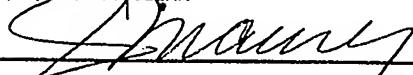
See additional information on reverse

This subpoena shall remain in effect until you are granted leave to depart by the court or by an officer acting on behalf of the court.

CLERK

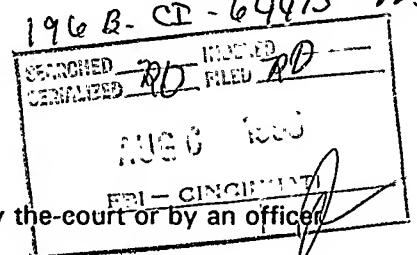
KENNETH J. MURPHY, CLERK

(BY) DEPUTY CLERK



This subpoena is issued upon application of the
United States of America

United States Attorney



DATE

February 21, 1995

NAME, ADDRESS AND PHONE NUMBER OF ASSISTANT U.S. ATTORNEY

b6

b7C

Assistant U.S. Attorney
U.S. Attorney's Office
220 Potter Stewart U.S. Courthouse
100 East Fifth Street
Cincinnati, Ohio 45202

GJ-1-94-2 95-46

196 B CI 64415-5

FACSIMILE COVER SHEET

DATE: 6/14/95

PLEASE DELIVER THE FOLLOWING PAGES TO:

NAME: J. BellDEPARTMENT: DELIVERED FROM: GERZEL'S RECYCLERS STORAGE SYSTEMS, INC.
4915 CARDER ROAD
ORLANDO, FL 32810WE ARE SENDING PAGES (INCLUDING THIS PAGE)TO SEND A FACSIMILE MESSAGE TO US, CALL TO TALK TO US, CALL

IF YOU DO NOT RECEIVE ALL PAGES, PLEASE CALL BACK AS SOON AS POSSIBLE.

X
RE

| | | |
|------------------|----------|-------|
| 196 B | CP-64413 | 155 |
| ISSUED | SEARCHED | FILED |
| SERIALIZED | INDEXED | |
| JUN 15 1995 | | |
| FBI - CINCINNATI | | |

WORLD WIDE CARD SERVICES, INC.

**American Bankcard**Nationsbank Building
1605 Main Street • Suite 711
Sarasota, FL 34236Members: American Bankers Association
Bankcard Services Association

Registered Agent Imperial Bank, Redondo Beach, CA

- ATM Cash Dispenser Placement & Service
 - All Bank Cards
 - Check Guarantee
 - Electronic Funds Transfer
 - Additional Automated Financial Services
- Check*

2000 S.E. Fed. Hwy.
Suite 300
Stuart, FL 34990

United States District Court

SOUTHERN

DISTRICT OF

OHIO

TO:

| |
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SUBPOENA TO TESTIFY BEFORE GRAND JURY

b3

SUBPOENA FOR:

PERSON DOCUMENT(S) or OBJECT(S)

YOU ARE HEREBY COMMANDED to appear and testify before the Grand Jury of the United States District Court at the place, date, and time specified below.

| PLACE | ROOM |
|---|---------------------------|
| Potter Stewart U.S. Courthouse 100 East Fifth Street Cincinnati, Ohio 45202 | 241 |
| | DATE AND TIME |
| | June 7, 1995 9:30 A.M. |

YOU ARE ALSO COMMANDED to bring with you the following document(s) or object(s):

Please see attached.

REB

See additional information on reverse

196B-CI-64415-157

| | |
|------------------|---------|
| SEARCHED | INDEXED |
| SERIALIZED | FILED |
| AUG 6 1995 | |
| FBI - CINCINNATI | |

This subpoena shall remain in effect until you are granted leave to depart by the court or by an officer acting on behalf of the court.

CLERK

KENNETH MURPHY, CLERK
(BY) DEPUTY CLERK

DATE

May 12, 1995

b6
b7C

This subpoena is issued upon application of the United States of America

United States Attorney

NAME, ADDRESS AND PHONE NUMBER OF ASSISTANT U.S. ATTORNEY

Assistant U.S. Attorney
U.S. Attorney's Office
220 Potter Stewart U.S. Courthouse
100 East Fifth Street
Cincinnati, Ohio 45202

95- 154 GJ-1-94-2

196B-CI-64415-24

United States District Court

SOUTHERN

DISTRICT OF

OHIO

TO: [Redacted]

SUBPOENA TO TESTIFY BEFORE GRAND JURY

b3

SUBPOENA FOR:

PERSON DOCUMENT(S) or OBJECT(S)

YOU ARE HEREBY COMMANDED to appear and testify before the Grand Jury of the United States District Court at the place, date, and time specified below.

| PLACE | ROOM |
|---|--|
| Potter Stewart U.S. Courthouse 100 East Fifth Street Cincinnati, Ohio 45202 | 241 |
| | DATE AND TIME <i>fb</i> June 7 May 24, 1995 9:30 A.M. |

YOU ARE ALSO COMMANDED to bring with you the following document(s) or object(s):

Please see attached.

(P)
REH

196B-CI-64415-158

See additional information on reverse

This subpoena shall remain in effect until you are granted leave to depart by the court or by an officer acting on behalf of the court.

CLERK

KENNETH J. MURPHY, CLERK

(BY) DEPUTY CLERK

Kenneth J. Murphy

This subpoena is issued upon application of the United States of America

United States Attorney

SEARCHED *7/20* INDEXED *RD*
SERIALIZED *7/20* FILED *RD*

JUN 1 1995
FBI - CINCINNATI

DATE

May 12, 1995

NAME, ADDRESS AND PHONE NUMBER OF ASSISTANT U.S. ATTORNEY

Assistant U.S. Attorney
U.S. Attorney's Office
220 Potter Stewart U.S. Courthouse
100 East Fifth Street
Cincinnati, Ohio 45202

b6
b7C

95-141 GJ-1-94-2

196B-CI-64415-*st*

RETURN OF SERVICE ⁽¹⁾

| | | |
|---------------------------|------------------------|--|
| RECEIVED BY SERVER | DATE <u>5/24/95</u> | PLACE <u>FBI, Orlando Resident Agency</u> |
| SERVED | DATE <u>5/25/95</u> | PLACE |
| SERVED ON (PRINT NAME) | | |
| SERVED BY (PRINT NAME) | | TITLE <u>Financial Analyst</u> |
| STATEMENT OF SERVICE FEES | | |
| TRAVEL | SERVICES | TOTAL <u>b3</u> |

DECLARATION OF SERVER ⁽²⁾

I declare under penalty of perjury under the laws of the United States of America that the foregoing information contained in the Return of Service and Statement of Service Fees is true and correct.

Executed on 5/25/95
Date

Signature of Server
500 Wunderley Place, Suite 324
Maitland, FL 32751
Address of Server

ADDITIONAL INFORMATION

- (1) As to who may serve a subpoena and the manner of its service see Rule 17(d), Federal Rules of Criminal Procedure, or Rule 45(c), Federal Rules of Civil Procedure.
 (2) "Fees and mileage need not be tendered to the witness upon service of a subpoena issued on behalf of the United States or an officer or agency thereof (Rule 45(c), Federal Rules of Civil Procedure; Rule 17(d), Federal Rules of Criminal Procedure) or on behalf of certain indigent parties and criminal defendants who are unable to pay such costs (28 U.S.C. § 1825, Rule 17(b) Federal Rules of Criminal Procedure)".

United States District Court

SOUTHERN

DISTRICT OF

OHIO

TO:

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SUBPOENA TO TESTIFY BEFORE GRAND JURY

b3

SUBPOENA FOR:

PERSON DOCUMENT(S) or OBJECT(S)

YOU ARE HEREBY COMMANDED to appear and testify before the Grand Jury of the United States District Court at the place, date, and time specified below.

PLACE

Potter Stewart U.S. Courthouse
100 East Fifth Street
Cincinnati, Ohio 45202

ROOM

241

DATE AND TIME *FB*

June 7

May 24, 1995

9:30 A.M.

YOU ARE ALSO COMMANDED to bring with you the following document(s) or object(s):

Please see attached.

X
REC'D

See additional information on reverse

This subpoena shall remain in effect until you are granted leave to depart by the court or by an officer acting on behalf of the court.

CLERK

KENNETH J. MURPHY, CLERK
(BY) DEPUTY CLERK

Kenneth J. Murphy

196 B.CI. 64415-159

| | |
|----------------------|-----------------|
| SEARCHED | INDEXED |
| SERIALIZED <i>70</i> | FILED <i>RD</i> |
| MAY 12 1995 | |
| FBI - CINCINNATI | |

DATE

May 12, 1995

b6
b7c

This subpoena is issued upon application of the
United States of America

United States Attorney

NAME, ADDRESS AND PHONE NUMBER OF ASSISTANT U.S. ATTORNEY

Assistant U.S. Attorney
U.S. Attorney's Office
220 Potter Stewart U.S. Courthouse
100 East Fifth Street
Cincinnati, Ohio 45202

95-145 GJ-1-94-2

196 B.CI. 64415-22

RETURN OF SERVICE ⁽¹⁾

b3

| | | |
|---------------------------|----------|------------------------------|
| RECEIVED BY SERVER | DATE | PLACE |
| | 5/24/95 | FBI, Orlando Resident Agency |
| SERVED | DATE | PLACE |
| | 5/25/95 | |
| SERVED ON (PRINT NAME) | | |
| SERVED BY (PRINT NAME) | | TITLE |
| | | Financial Analyst |
| STATEMENT OF SERVICE FEES | | |
| TRAVEL | SERVICES | TOTAL |
| | | |

DECLARATION OF SERVER ⁽²⁾

I declare under penalty of perjury under the laws of the United States of America that the foregoing information contained in the Return of Service and Statement of Service Fees is true and correct.

Executed on 5/25/95
Date

Signature or Server
500 Winderley Place, Suite 324
Maitland, FL 32751
Address of Server

ADDITIONAL INFORMATION

- (1) As to who may serve a subpoena and the manner of its service see Rule 17(d), Federal Rules of Criminal Procedure, or Rule 45(c), Federal Rules of Civil Procedure.
 (2) "Fees and mileage need not be tendered to the witness upon service of a subpoena issued on behalf of the United States or an officer or agency thereof (Rule 45(c), Federal Rules of Civil Procedure; Rule 17(d), Federal Rules of Criminal Procedure) or on behalf of certain indigent parties and criminal defendants who are unable to pay such costs (28 U.S.C. § 1825, Rule 17(b) Federal Rules of Criminal Procedure)".

United States District Court

SOUTHERN

DISTRICT OF

OHIO

TO:

| |
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SUBPOENA TO TESTIFY BEFORE GRAND JURY

b3

SUBPOENA FOR:

PERSON DOCUMENT(S) or OBJECT(S)

YOU ARE HEREBY COMMANDED to appear and testify before the Grand Jury of the United States District Court at the place, date, and time specified below.

| | |
|---|---------------------------|
| PLACE | ROOM |
| Potter Stewart U.S. Courthouse 100 East Fifth Street Cincinnati, Ohio 45202 | 241 |
| | DATE AND TIME |
| | June 7, 1995 9:30 A.M. |

YOU ARE ALSO COMMANDED to bring with you the following document(s) or object(s):

Please see attached.

(X)
REC

196-B-CI-64415-760

| | |
|------------------|---------|
| SEARCHED | INDEXED |
| SERIALIZED | FILED |
| JUN 11 1995 | |
| FBI - CINCINNATI | |

See additional information on reverse

This subpoena shall remain in effect until you are granted leave to depart by the court or by an officer acting on behalf of the court.

CLERK

KENNETH J. MURPHY, CLERK
(BY) DEPUTY CLERK

DATE

May 12, 1995

This subpoena is issued upon application of the
United States of America

United States Attorney

NAME, ADDRESS AND PHONE NUMBER OF ASSISTANT U.S. ATTORNEY

Assistant U.S. Attorney
U.S. Attorney's Office
220 Potter Stewart U.S. Courthouse
100 East Fifth Street
Cincinnati, Ohio 45202

b6
b7c

95-153 GJ-1-94-2

196-B-CI-64415-23

Memorandum



196B-CI-64415

To : CI

Date 8/6/96

From : TP

Subject:

[Redacted]

Larson

- DUC
 File Destruction Program

b6
b7C

Enclosed are 8 items.

These items are forwarded to your office since file meets criteria for destruction.

Enclosures are described as follows:

- Original Notes.
 Original FD-302's.
 Laboratory and/or Technical Reports.
 Miscellaneous Documents.

X
REP

b6
b7C

REP

196B-CI-64415-16P

[Redacted]

| | |
|------------------|---------|
| SEARCHED | INDEXED |
| SERIALIZED | FILED |
| FBI - CINCINNATI | |

1 REP

Enc.

NOTE: DO NOT BLOCK STAMP ORIGINAL ENCLOSURES.

SEARCHED INDEXED FILED

Memorandum



To : SAC, CINCINNATI ✓ (196B-CI-64415)

From : SAC, INDIANAPOLIS (196B-CI-64415)

Subject: [Redacted] _____
 (Title)

Date 08/14/96

RUC
 File Destruction Program

b6
b7CEnclosed are 1 items.

These items are forwarded to your office since file meets criteria for destruction.

Enclosures are described as follows:

- Original Notes.
- Original FD-302's.
- Laboratory and/or Technical Support.
- Miscellaneous Documents.

Enc. 1

NOTE: DO NOT BLOCK STAM

196D-CI-64415-162

| | |
|------------------|---------|
| SEARCHED | INDEXED |
| SERIALIZED | FILED |
| AUG 20 1996 | |
| FBI - CINCINNATI | |

ENCLOSURES

- 1 -

FEDERAL BUREAU OF INVESTIGATION

Date of transcription 8/9/96

[redacted] date of birth [redacted]
[redacted]

[redacted] was served a Federal Grand Jury subpoena at his residence.
A copy of the Grand Jury subpoena is attached.

b3

Investigation on 7/17/96 at [redacted] File # 196B-CI-64415 -163
by SA [redacted] M lv Date dictated 7/17/96

b6
b7C

This document contains neither recommendations nor conclusions of the FBI. It is the property of the FBI and is loaned to your agency; it and its contents are not to be distributed outside your agency.

United States District Court

SOUTHERN

DISTRICT OF

OHIO

TO:

b3

SUBPOENA TO TESTIFY BEFORE GRAND JURY

SUBPOENA FOR:

PERSON DOCUMENT(S) or OBJECT(S)

YOU ARE HEREBY COMMANDED to appear and testify before the Grand Jury of the United States District Court at the place, date, and time specified below.

| PLACE | ROOM |
|---|-----------------------------|
| Potter Stewart U.S. Courthouse 100 East Fifth Street Cincinnati, Ohio 45202 | 241 (2nd Floor) |
| DATE AND TIME | |
| | August 7, 1996 9:30 a.m. |

YOU ARE ALSO COMMANDED to bring with you the following document(s) or object(s):

See attachment.

This subpoena shall remain in effect until you are granted leave to depart by the court or by an officer acting on behalf of the court.

| CLERK | DATE |
|--|---------------|
| KENNETH J. MURPHY, CLERK (BY) DEPUTY CLERK <i>JSchulte</i> | June 19, 1996 |

b6
b7c

This subpoena is issued upon application of the United States of America

United States Attorney

NAME, ADDRESS AND PHONE NUMBER OF ASSISTANT U.S. ATTORNEY

Assistant U.S. Attorney
U.S. Attorney's Office
220 Potter Stewart U.S. Courthouse
100 East Fifth Street
Cincinnati, Ohio 45202

96-313; GJ-1-96-1

(06/01/1995)

FEDERAL BUREAU OF INVESTIGATION

Precedence: ROUTINE

Date: 08/09/1996

To: Cincinnati

Attn: Middletown RA.

SA [redacted]

b6
b7C

From: Dallas
Ft. Worth 2

Approved By: [redacted]

Drafted By: [redacted] :lv

Case ID #: ✓ 196B-CI-64415-152 (Pending)

Title: [redacted] aka [redacted]

PAUL LARSON:

[redacted] dba

TELEPHONE INFORMATION SYSTEMS, INC.:
GROUP DYNAMICS DOWNLINE,
1109 NAVAHO DRIVE,
LEBANON, OHIO;
FBW

X
RET

Synopsis: The purpose of this communication is to return
original served Federal Grand Jury subpoena and related FD-302
[redacted]

Enclosures: Enclosed for Cincinnati are the following:

b3

1. Original FD-302 regarding interview with [redacted]
[redacted] at which time a Grand Jury subpoena was served.

2. Original Grand Jury subpoena which was served on
[redacted]

Details: Enclosed Grand Jury subpoena was served on [redacted]
[redacted] No further
investigation is required in Ft. Worth, Texas.

♦♦

196D-CI-64415-164

GRAND JURY MATERIAL - DISSEMINATE ONLY PURSUANT TO
RULE 6(e) FED.R.CRIM.P.

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[redacted]

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|----------------------|-----------------|
| SEARCHED | INDEXED |
| SERIALIZED <i>AO</i> | FILED <i>AO</i> |
| AUG 2 1996 | |
| FBI - CINCINNATI | |

J

SENT
DATE 8/19/96

AUTOMATED INDICIES *dzm*

FEDERAL BUREAU OF INVESTIGATION

Precedence: ROUTINE**Date:** 08/28/1996**To:** HOUSTON
INDIANAPOLIS **Attn:** Ft. Wayne RA**From:** CINCINNATI

Middletown RA

Contact: SA [redacted]b6
b7c**Approved By:** [redacted]**Drafted By:** [redacted] reh**File Number(s):** 196B-CI-64415 (Pending)**Title:** [redacted] aka [redacted]

PAUL LARSON;

[redacted] dba
TELEPHONE INFORMATION SYSTEMS, INC.;
GROUP DYNAMICS DOWNLINE,
1109 Navaho Drive,
Lebanon, Ohio;
FBW.(X)
RCH**Synopsis:** Receiving offices are requested to interview individuals who invested in multi-level marketing programs in 1994 and 1995.**Details:** For the information of receiving offices, GROUP DYNAMICS DOWNLINE (GDD), marketed shares in TELEPHONE INFORMATION SYSTEMS' (TIS) WORLDWIDE LOTTERY PROGRAM and AMERICAN INDIAN LOTTERY PROGRAM. GDD, an Ohio boiler room operation managed by [redacted] PAUL LARSON, enrolled over 20,000 members in about five months ending in January 1995 raising over \$3 million. Investors were purchasing shares in TIS which would establish a nationwide lottery sponsored by an American Indian tribe and operated through calls to a 900 telephone number.

PLEASURE TIME, a Florida company incorporated in the Spring of 1994 to operate an Orlando area telephone sex line, started operating as TIS to promote the lottery scheme. TIS' principals were [redacted] aka [redacted] and [redacted] aka [redacted] PAUL LARSON forwarded the bulk of the GDD proceeds to Florida.

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196B-CI-64415-165

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| SEARCHED | INDEXED |
| SERIALIZED | FILED |
| SEP 1 1996 | |
| FBI - CINCINNATI | |

245REH:jl:EC

To: HOUSTON From: CINCINNATI
Re: 196B-CI-64415, 08/28/1996

When GDD ceased their American promotion in Mid-January 1995. [redacted]

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In late February 1995, [redacted] and [redacted]
were returning by airplane to [redacted]

[redacted] and [redacted] are not subject of
this investigation but both were enthusiastic participants in [redacted]

Documents received from [redacted] indicate that both [redacted]

[redacted] and [redacted] are to be interviewed regarding [redacted]

[redacted] Determine at what point suspicions arose that TIS was not
a legitimate investment [redacted]

To: HOUSTON From: CINCINNATI
Re: 196B-CI-64415, 08/28/1996

LEAD(s):

Set Lead 1:

HOUSTON

AT [redacted]
Interview [redacted] Social
Security Number [redacted] residing at [redacted]
[redacted] telephone [redacted] regarding her
participation in the AMERICAN INDIAN LOTTERY PROGRAM.

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Set Lead 2:

INDIANAPOLIS

AT [redacted]
Interview [redacted] Social
Security Number [redacted] residing at [redacted]
[redacted] telephone [redacted] regarding his
participation in the AMERICAN INDIAN LOTTERY PROGRAM.

♦♦

- 1 -

FEDERAL BUREAU OF INVESTIGATION

Date of transcription

5/15/96

[redacted] date of birth [redacted]
 Social Security Account Number [redacted] was interviewed at
 his residence located at [redacted]
 telephone [redacted] He was advised of the identity of the
 interviewing Agent and the purpose of the interview.

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b7C(X)
REH

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Investigation on 5/10/96 at [redacted]File # 196B-CI-64415

by SA [redacted] :reh Date dictated

196B-CI-64415-166

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| AUG 23 1996 | |
| 5/15/96 FBI CINCINNATI | |

[Signature]

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336 REH D1. 302
 This document contains neither recommendations nor conclusions of the FBI. It is the property of the FBI and is loaned to your agency; it and its contents are not to be distributed outside your agency.

196B-CI-64415

Continuation of FD-302 of [redacted]

, On 5/10/96

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[redacted]
Throughout January 1995, [redacted]

[redacted] had no reservations about [redacted]
[redacted]

Other MLM investors who might know [redacted] are
[redacted] telephone [redacted] and [redacted] from
[redacted] telephone [redacted]

[redacted] provided the following documents:
[redacted]

[redacted] received an FD-597 (Receipt for Property Received) identifying the items which he provided to the Federal Bureau of Investigation.

- 1 -

FEDERAL BUREAU OF INVESTIGATION

Date of transcription 5/15/96

Social Security Number [redacted] date of birth [redacted] b6
[redacted] was interviewed at her residence which is located at [redacted] b7C
telephone [redacted] who is known to her friends as [redacted]
[redacted] was advised of the identity of the interviewing agent and the purpose of the interview.

She has participated in various multi-level marketing (MLM) programs for about five years. In late summer or early fall 1994, a friend, [redacted] telephonically mentioned a new MLM called TELEPHONE INFORMATION SYSTEMS (TIS) WORLD WIDE LOTTERY PROGRAM (WWLP), which would capitalize a national 900 phone number lottery sponsored by an American Indian tribe.

[redacted] lives at [redacted] telephone [redacted]
[redacted] called the telephone number which [redacted]
provided and listened to a nationwide conference call directed by [redacted]. She described the WWLP investment opportunity with its "unique vertical downline" payout plan. [redacted] seemed knowledgeable and sincere. She explained the opportunity concisely and thoroughly. Investors would be owners of the soon to be established WWLP. Even after making large payouts to lottery winners, tremendous revenues were to be split among WWLP investors. Under a "vertical downline", there were twelve compensation categories and the investor's compensation was computed from their position on downline and the number of other investors personally referred.

[redacted] listened to a couple of conference calls before investing and numerous others afterwards. Besides [redacted]
[redacted] was often on the nationwide conference calls.
[redacted]

Additionally, [redacted] received a facsimile of a six-page brochure titled "WORLD-WIDE LOTTERY" describing TIS as "an international company" providing "800 and 900 telephone

Investigation on 5/10/96 at Hamilton, Ohio

File # 196B-CI-64415 - 167

by SA [redacted] ^{et}
[redacted] reh Date dictated 5/15/96

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Continuation of FD-302 of [redacted]

, On 5/10/96, Page 2

b6
b7C

information services." The facsimile continued that TIS would operate the WWLP "in conjunction with a Japanese company and Native American Indians." Also included was a copy of the twelve tier compensation plan, enrollment information and TIS application.

On December 3, 1994, [redacted] utilized a TIS application to enroll by facsimile. She executed a TIS application and wrote [redacted] payable to GROUP DYNAMICS DOWNLINE (GDD) for \$129.00. [redacted] attached the check to the bottom of her application and facsimiled the form to [redacted] doing business as GDD in Lebanon, Ohio, at [redacted] facsimile number [redacted]. According to [redacted] application, she was referred by J.W. PROMOTIONS, GROUP DYNAMICS identified [redacted] telephone [redacted] GDD later advised [redacted] that she was GROUP DYNAMICS [redacted]

On December 19, 1994, [redacted] purchased a gift membership for [redacted] Social Security Number [redacted] telephone [redacted] executed the application in [redacted] name and attached [redacted] personal check [redacted]. The application and check were again facsimiled to GDD. [redacted] still does not know about this gift.

[redacted] received a facsimile of a revised four page brochure titled "AMERICAN INDIAN LOTTERY PROGRAM (AILP)" bearing a facsimile transmission date of December 30, 1994. It is similar to the earlier WWLP brochure except that the Japanese investors are no longer mentioned, the compensation plan has been revised and the price of enrollment has increased to \$189.00.

Sometime during the winter, the national conference call mentioned a Securities and Exchange Commission (SEC) investigation of TIS. [redacted] complained that the SEC was improperly claiming that TIS was an investment and therefore under their regulation. [redacted] stalled for several weeks saying "he and his lawyers" were handling the situation. [redacted]

[redacted] appropriate for SEC regulation. [redacted] response to the SEC inquiry made [redacted] suspicious. She wondered why [redacted] who claimed to have several lawyers working for him, was asking for members' input on the conference line.

By mid-January 1995, [redacted] GDD stopped enrolling new TIS memberships in Lebanon, Ohio. Later in February 1995, the GDD office in Lebanon closed. [redacted]

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196B-CI-64415

Continuation of FD-302 of [redacted], On 5/10/96, Page 3

[redacted] Members were even provided with a Florida telephone number to maintain contact.

[redacted] received by facsimile a third six-page brochure titled "AILP" bearing a facsimile transmission date of January 18, 1995. It is very similar to the previous AILP brochure except it identifies the participating American Indian tribe as the Houlton Band, Maliseet Tribe in Maine and it requests new investors to send \$200.00 money orders to FUTURE INVESTMENTS (FI) in Germany.

On January 26, 1995 [redacted]

[redacted]

In late February 1995, [redacted] promised on the conference line that [redacted] would speak in the future. [redacted] thinks [redacted] topic was to be the establishment of [redacted]

[redacted]

Subsequent to [redacted]

[redacted]

[redacted] identified twelve other people throughout the country whom she believes invested in TIS. Besides [redacted] and [redacted] this list includes [redacted]
[redacted] telephone [redacted]

[redacted] provided the following documents:

1 - TIS/WWLP six page brochure;

196B-CI-64415

Continuation of FD-302 of [redacted], On 5/10/96, Page 4

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b7C

1 - TIS application executed by [redacted]
[redacted] with attached [redacted]
payable to GDD;

1 - TTS application executed by [redacted] for [redacted]
[redacted] with [redacted] attached
[redacted] payable to GDD;

1 - GDD letter signed by [redacted] dated December 1, 1994;

1 - TIS/AILP four page brochure bearing facsimile date
of December 30, 1994;

1 - TIS-Europe AILP four page brochure bearing
facsimile date of January 18, 1995;

2 - TIS-Europe blank applications (two pages each);

1 - Photocopy of TIS-Europe application [redacted]

[redacted]
1 - Purchaser Copy of Union Federal Savings Bank
Personal Money Order #31280 and

1 - FI letter, dated February 17, 1995.

[redacted] received an FD-597 (Receipt for Property
Received) identifying the items which she provided to the Federal
Bureau of Investigation.

ORIGINAL

- 1 -

FEDERAL BUREAU OF INVESTIGATION

Date of transcription

8/12/96

On August 7, 1996, [redacted] testified
before a Federal Grand Jury (FGJ) in Cincinnati, Ohio. [redacted]
[redacted]

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After [redacted] appearance, Assistant United States
Attorney [redacted] released [redacted] into the
custody of Special Agent [redacted]
are identified as follows:
[redacted]
[redacted]

Investigation on 8/7/96 at Cincinnati, Ohio
File # 196B-CI-64415 - 168
by SA [redacted] :reh Date dictated 8/12/96

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196B-CI-64415

Continuation of FD-302 of [redacted]

8/7/96, Page _____

b3
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b7C

[redacted]
An FD-597 (Receipt for Property Received) was given to
AUSA [redacted] introduced which were given
to SA [redacted]

- 1 -

FEDERAL BUREAU OF INVESTIGATION

Date of transcription

10/24/96

On 10/15/1996.

born

telephone

[redacted] after being advised of the nature of the interview and the identity of the interviewing agent, provided the following information.

[redacted] advised she had submitted an application for enrollment in Group Dynamics Downline's (GDD) American Indian Lottery Program (AILP) by fax on [redacted] after being telephonically referred to the venture by [redacted]. [redacted] said the application fee at the time of her enrollment was

Soon after [redacted] had submitted her application, she

[redacted] said she did not become suspicious until March 1996 when she was given the Indian tribe's telephone number, however was told not to call. She said they also used Mailboxes Etc. as mailing addresses and said that she was told that [redacted] had been in a serious accident, however; would not disclose [redacted] location or provide a telephone number for people to contact him.

According to

Both [redacted] and [redacted] can be reached at telephone number [redacted]. When [redacted] became aware of problems with the AILP, he recommended ties be broken with GDD.

Several addresses and telephone numbers were provided for TELEPHONE INFORMATION SYSTEMS' (TIS):

Investigation on 10/15/1996 at

196B-CP-64415-169

File # 196B-Cl-64415

Date dictated

10/17/1998

by SA

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196B-CI-64415

Continuation of FD-302 of [redacted]

, On 10/15/1996, Page 2b6
b7C

11310 S. Orange Blossom Trail, Suite 114
Orlando, FL 32827
(Mailboxes Etc address)

TIS Incorporated
P.O. Box 1013
Winterpark, FL 32790
(Address registered to Burkett and Co, 627 Heathron
Britts, Apopka, FL 32707)

TIS Public Relations Office
Branson, Missouri
(417) 338-4435
(417) 338-8948 (fax)

Note: [redacted] called telephone company for the listed party of the numbers above. Telephone company responded as having "No Record"

Conference Line (610) 582-7400 / PIN 1125 or 405
(Service provided by Conastoga Telephone Company
(610) 582-6202)

TIS Information line: (407) 648-5342
Note: This number was also a telephone sex line for Cigar Fantasy Girls.

From TIS/GDD Membership Card: other phone numbers:
Presentation Line (5 min) (513) 684-4771
Questions Re: Program (317) 966-4738
Fax-On-Demand #1 (Info Pak & App) (512) 505-6802
Fax-On-Demand #2 (Ads & Flyers) (512) 505-6821
Fax-In-Application (513) 932-8049
Phone In Application (513) 932-6696
Downline Update (Latest Info) (513) 723-4853

[redacted]

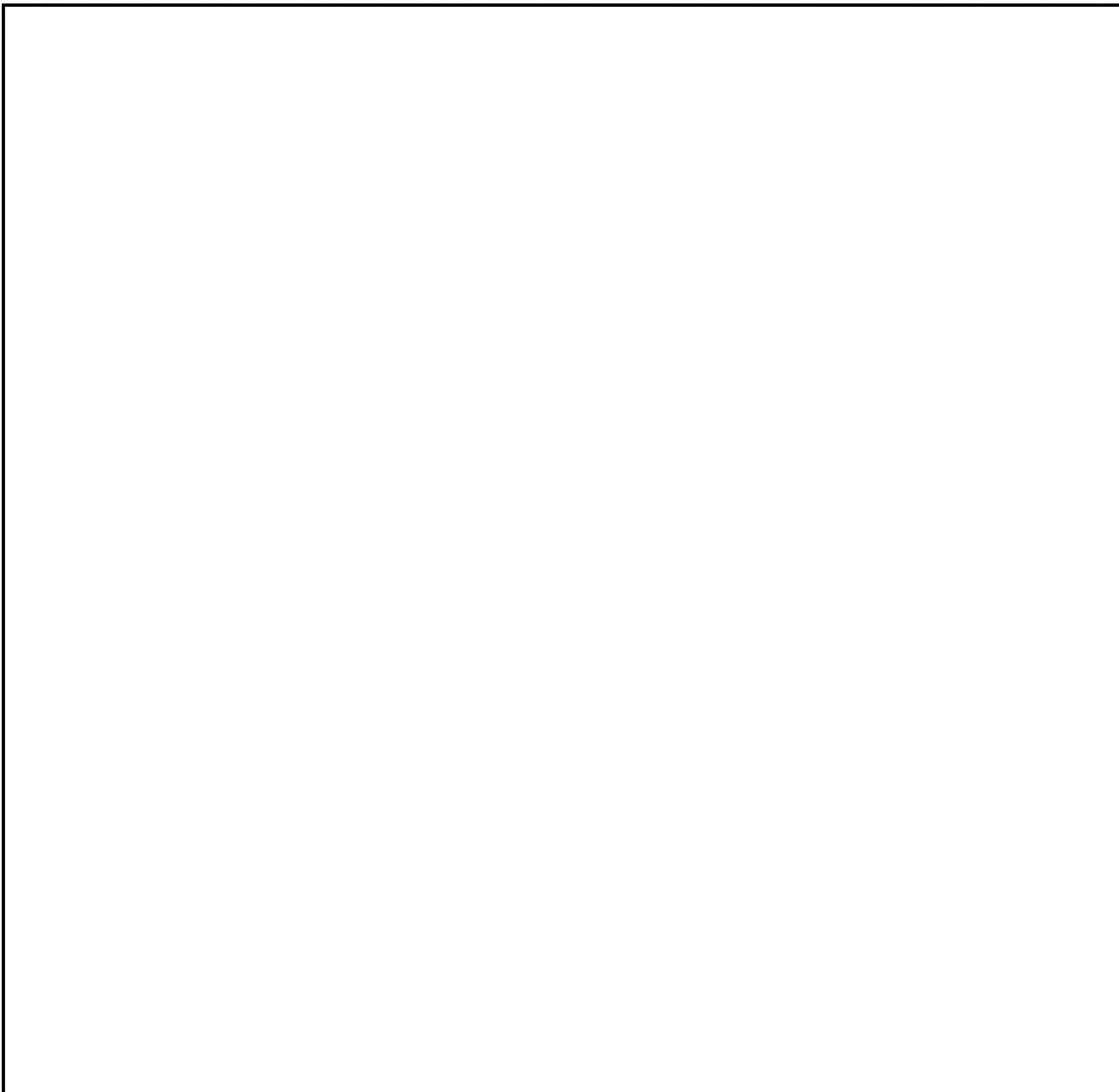
196B-CI-64415

Continuation of FD-302 of [redacted]

, On 10/15/1996, Page 3

The following is a list and brief description of individuals [redacted] had contact with or learned about during her association with the AILP:

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A large rectangular box with a black border, occupying most of the page below the text. It is used to redact a list of names and descriptions of individuals associated with the AILP.

FEDERAL BUREAU OF INVESTIGATION**Precedence:** ROUTINE**Date:** 10/25/1996**To:** Cincinnati**From:** Houston

WC-4

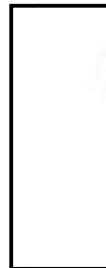
Contact: SA [redacted]b6
b7C**Approved By:** [redacted] *an/95X***Drafted By:** [redacted] :saw**Case ID #:** 196B-CI-64415 (Pending) [redacted]**Title:** [redacted] aka [redacted]

FBW.

Synopsis: [redacted] was interviewed regarding her participation in the AMERICAN INDIAN LOTTERY PROGRAM.**Enclosures:** Original and (2) copies of FD-302 of [redacted]
[redacted] 1a envelope containing literature provided by [redacted]
(also itemized in FD-302). 1a envelope containing original agent notes.**Details:** On 10/15/1996, [redacted] interviewed at [redacted] Group Dynamics
Downline's AMERICAN INDIAN LOTTERY PROGRAM.

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196B-CI-64415-170



196B-CI-64415-170

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| SERIALIZED <i>170</i> | FILED <i>170</i> |
| FBI - CINCINNATI | |

KCB

AUTOMATED INDICIES *PAN*b6
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FEDERAL BUREAU OF INVESTIGATION

Precedence: ROUTINE

Date: 11/08/1996

To: Cincinnati

Attn: SA [redacted]

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b7c

Dayton RA

From: Memphis

Suad 6 - Nashville RA

Contact: SA [redacted]

Approved By: [redacted]

Drafted By: DSM [redacted] dsm

Case ID #: 196A-ME-46498-255 - (Leads Covered). 999 [redacted]
196B-CI-64415 111

Title: [redacted]

ET AL;
FBW, MF, ML
OO: MEMPHIS[redacted]
ET AL;
FBW
OO: CINCINNATIDSM
~~(X)~~**Synopsis:** To provide evidence, recovered in Memphis investigation, pertinent to Cincinnati investigation.**Package Copy:** Being forwarded under separate cover via Federal Express to Cincinnati are the following:

Two boxes containing numerous items and other paperwork pertaining to TELEPHONE INFORMATION SYSTEMS (TIS) and the WORLD WIDE INDIAN LOTTERY. This evidence was obtained via [redacted]

Details: It has been determined that this evidence pertained to the lottery scam that the subjects in the Memphis case masterminded in Florida and Ohio. This matter is now under investigation in Cincinnati. This evidence does not directly pertain to the scams the subjects masterminded in Tennessee. Accordingly this evidence is provided to Cincinnati in order to aid their prosecution of the subjects. 196D-CI-64415- 111

AUTOMATED INDICES *HJM*

3/3DSMD1. EC

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| SERIALIZED <i>AD</i> | FILED <i>AD</i> |
| FBI - CINCINNATI | |
| 11-8-96 gwm | |

Fed Ex #345 8511 402 + 411

- 1 -

FEDERAL BUREAU OF INVESTIGATION

Date of transcription

03/04/1997

Social Security Number: [redacted]

(white/male, born [redacted])

[redacted]

Telephone Number [redacted]

[redacted] was interviewed at [redacted]
[redacted]b6
b7CInvestigation on 02/04/1997 at [redacted]File # 196B-CI-64415 ✓ [initials]by SA [redacted] (J:KIAS0304.063) Date dictated 02/05/1997b6
b7C

196B-CI-64415

Continuation of FD-302 of [redacted]

, On 02/04/1997, Page 2

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It is the understanding of [redacted] Larson, and others were attempting to establish a lottery in the State of Maine, through the cooperation of the Houlton band of Malaseet Indians at Houlton, Maine. [redacted] Larson, working as American Indian Lottery Program, arranged through the tribal officials in Maine to establish a national lottery. They apparently had applied to the Department of Justice, American Indian Gambling Commission, for permission to operate a lottery in 39 States. At the onset of the proposal, [redacted] Larson began soliciting memberships into the program with promises of huge returns. Their intent was to create a pool of 50,000 investors or members to finance the establishment of the lottery, who would thereafter share in some of the very large profits. Apparently, 17,000 investors were located and signed up as members, when it was discovered that the Houlton band of Malaseet Indians in Maine had in 1988 signed an agreement with the State of Maine that gave up their right to establish a lottery. According to [redacted] Larson, this 1988 agreement was not known to the current tribal leaders. Inasmuch as the American Indian Lottery Program could not move forward (because of the 1988 agreement), the program was automatically shut down, however, [redacted] Larson apparently absconded with the membership fees of the 17,000 members.

[redacted] advised that after his conversation with [redacted]

In addition to the membership fee, there was a \$25 annual fee that was waived by the organizers, inasmuch as the lottery was not actually up and operational at that time.

[redacted] Larson called Group Dynamics Downline. He explained the "downline," was a vertical marketing system unlike the multi-level marketing system that is generally described as a pyramid. The "downline" system is not a pyramid, but rather a vertical line or a list of members. Each downline contained 11 slots for 20 individuals. The original plans were to establish a total of 50,000 members in separate 11 slot vertical groups. [redacted] understood that for a \$129 initial investment (membership fee that was later increased to \$189 when the vertical line changed from 6 units to 11 units), members were to receive, once the Indian lottery was up and running, \$200 per week forever. If a member simply paid a membership fee of \$129 or later the \$189, he would receive the \$200 per week return. In the event that the member recruited other members, he could,

196B-CI-64415

Continuation of FD-302 of [redacted]

, On 02/04/1997, Page 3

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[redacted]
[redacted] advised it was his understanding that the European leg of this lottery was established at essentially the same time as the American leg, and that the European leg completed its target goal of recruited members prior to the American leg. [redacted] advised he was not involved in the European leg of this venture,

[redacted]

(06/01/1995)

FEDERAL BUREAU OF INVESTIGATION

Precedence: ROUTINE

Date: 03/04/1997

To: Cincinnati

From: Indianapolis

6-FWRA

Contact: SA [redacted]

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b7C

WPA/HF

Approved By: [redacted]

Drafted By: [redacted] (J:KIAS0204.063)

Case ID #: 196B-CI-64415 (Pending)

Title: [redacted] aka;

ET AL; dba,
TELEPHONE INFORMATION
SYSTEMS, INC.;
GROUP DYNAMICS DOWNLINE,
1109 Navajo Drive,
Lebanon, Ohio
FBW

RECEIVED
[Signature]

Synopsis: Report results of interview with [redacted] at
[redacted]

Administrative: For information of Cincinnati, [redacted]
Steuben County Sheriff's Office, [redacted]
Indiana [redacted] Sheriff [redacted]

[redacted] The records of the Steuben
County Sheriff's Department were searched concerning [redacted] for
any criminal record, with negative results. NCIC Triple I was
also negative concerning [redacted]

Enclosures: Original and one copy of an FD-302 re interview of
[redacted]

Details: For information of Cincinnati Division, Indianapolis
Division nearly gave up on efforts to locate [redacted] at
[redacted], inasmuch as attempts to locate him were
unsuccessful. The address given to Indianapolis of [redacted]

[redacted] There was no
answer at the telephone number provided by Cincinnati and contact

Upated
3/11/97
SMT

cpi - none

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196D-CI-64415-176

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| [redacted] | SEARCHED | INDEXED |
| SERIALIZED | FILED | [initials] |
| MAR 1 1997 | | |
| FBI - CINCINNATI | | |

[Signature]

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AUTOMATED INDICES

[Signature]

To: Cincinnati From: Indianapolis
Re: 196B-CI-64415, 03/04/1997

with the Sheriff's Department and local telephone companies failed to locate S. [redacted]

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[redacted] was located, however, through the assistance of the U.S. Postal Service regarding change of address notices at [redacted] was eventually located over the holidays and because of other commitments an interview was not scheduled until 02/04/1997. Details of the interview with [redacted] are in enclosed FD-302.

[redacted]
[redacted]

Following the [redacted] moved to a new address and in the process, [redacted] [redacted] that may be of interest to Cincinnati regarding this investigation. He indicated he would continue to search for [redacted] as he unpacks at his new residence and would make them available to the FBI.

Inasmuch as Indianapolis has covered their lead as requested by Cincinnati Division, no further action is anticipated.

♦♦

United States District Court

SOUTHERN DISTRICT OF OHIO

SECURITIES AND EXCHANGE COMMISSION,
Plaintiff,

SUMMONS IN A CIVIL ACTION

v.

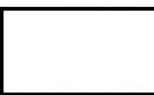
CASE NUMBER:

C-1-95-178

PLEASURE TIME, INC. d/b/a TELEPHONE INFORMATION
SYSTEMS; [REDACTED] d/b/a GROUP DYNAMICS
DOWNLINE; [REDACTED]

Defendants.

TO: (Name and Address of Defendant)



d/b/a Group Dynamics Downline

1109 Navaho Drive
Lebanon, OH 45036

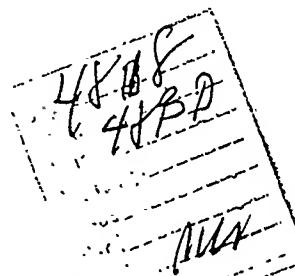
U.S. DISTRICT COURT
SOUTHERN DISTRICT OF OHIO
WEST DIVISION CINCINNATI
JAN 12 1995
MURPHY
CLERK

YOU ARE HEREBY SUMMONED and required to file with the Clerk of this Court and serve upon

PLAINTIFF'S ATTORNEY (name and address)

Securities and Exchange Commission
Midwest Regional Office

Attention: [REDACTED]

Suite 1400, 500 W. Madison Street
Chicago, IL 60661-2511

20

an answer to the complaint which is herewith served upon you, within _____ days after service of
this summons upon you, exclusive of the day of service. If you fail to do so, judgment by default will be taken
against you for the relief demanded in the complaint.

Kenneth J. Murphy, Clerk

CLERK

BY DEPUTY CLERK

DATE

11-16-95

66

FILED

UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF OHIO
WESTERN DIVISION

MAR 13 1995

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b7C

KENNETH J. MURPHY, Clerk
CINCINNATI, OHIO

UNITED STATES :
SECURITIES AND EXCHANGE COMMISSION, :
Plaintiff, : CIVIL ACTION NO.
v. :
PLEASURE TIME, INC., d/b/a TELEPHONE :
INFORMATION SYSTEMS; [REDACTED] :
[REDACTED] d/b/a GROUP DYNAMICS :
DOWNLINE; [REDACTED] :
[REDACTED] :
Defendants. :
:

3501178

PLAINTIFF SECURITIES AND EXCHANGE COMMISSION'S COMPLAINT FOR
TEMPORARY RESTRAINING ORDER, PRELIMINARY AND PERMANENT INJUNCTIONS,
CIVIL PENALTIES, AND OTHER EQUITABLE RELIEF

Now comes the Plaintiff, Securities and Exchange
Commission ("Commission"), and alleges as follows:

1. Pleasure Time, Inc., d/b/a Telephone Information
Services; [REDACTED] d/b/a Group Dynamics Downline;
[REDACTED]

("Defendants"), directly and indirectly, have engaged, are
engaged and are about to engage in acts, practices and courses
of business which constitute violations of Sections 5(a), 5(c),
17(a)(1), 17(a)(2) and 17(a)(3) of the Securities Act of 1933,
as amended [15 U.S.C. 77e(a), 77e(c), 77q(a)(1), 77q(a)(2) and
77q(a)(3)] (the "Securities Act"), Sections 10(b), 15(a)(1) and
15(c)(1) of the Securities Exchange Act of 1934, as amended [15
U.S.C. 78j(b), 78o(a)(1), 78o(c)(1)] (the "Exchange Act") and

Rules 10b-5 and 15c1-2 [17.C.F.R. 240.10b-5, 240.15c1-2] promulgated thereunder.

2. The Commission brings this action to enjoin such acts, practices and courses of business pursuant to Section 20(b) of the Securities Act [15 U.S.C. 77t(b)], and Sections 21(d) and 21(e) of the Exchange Act [15 U.S.C. 78u(d) and 78u(e)].

JURISDICTION AND VENUE

3. The Court has jurisdiction of this action pursuant to Section 22(a) of the Securities Act [15 U.S.C. 77v(a)] and Sections 21 and 27 of the Exchange Act [15 U.S.C. 78u, 78aa].

4. The Defendants will, unless restrained and enjoined, continue to engage in the acts, practices, and courses of business set forth in this complaint and acts, practices and courses of business of similar purport and object.

5. The acts, practices, and courses of business constituting the violations herein have occurred within the jurisdiction of the United States District Court for the Southern District of Ohio and elsewhere.

6. The Defendants, directly and indirectly, have made and are making use of the mails, and of the means and instrumentalities of interstate commerce in connection with the acts and practices alleged herein in the Southern District of Ohio and elsewhere.

7. Pursuant to authority conferred on the Commission by Sections 10(b) and 15(c) of the Exchange Act [15 U.S.C. 78j(b),

780(c)], the Commission has promulgated Rules 10b-5 and 15c1-2 [17 C.F.R. 240.10b-5, 240.15c1-2], such rules being in effect at all times mentioned herein and at the present time.

THE DEFENDANTS

8. Pleasure Time, Inc. ("Pleasure Time") is a Florida corporation with its primary place of business in Lakeland, Florida. Pleasure Time also does business under the name "Telephone Information Services." Pleasure Time's primary business is operating a 900 number telephone service that provides sports information and fantasy calls. Pleasure Time, operating under the name Telephone Information Services, is the issuer of the securities described in this complaint.

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9. [redacted] d/b/a Group Dynamics Downline, ("Group Dynamics Downline") is an unincorporated entity with its principal place of business in Lebanon, Ohio. Group Dynamics Downline was involved in the offer and sale of the securities described in this complaint.

10. [redacted] also known as [redacted] is, on information and belief, a resident of Lakeland, Florida. Welch is one of the owners of Pleasure Time and was actively involved in the offer and sale of the securities described in this complaint.

11. [redacted] is a resident of Lebanon, Ohio, and a principal of Group Dynamics Downline [redacted] was